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EDITORIAL

As We See It

At his regular news conference last week the President had this to say about the problem of inflation:

"I believe that labor, management and government must all be concerned in this problem (of curbing inflation); and I think, of all these branches, no one could be more concerned than is labor.

"It is easy to suppose that because a man is getting increased wages that he, through his collective bargaining process, is staying ahead of the process or the progress of inflation.

"I don't believe this is ever true, and the reason that it is not true is this:

"Our whole civilization, our industrial civilization, today certainly, has come to include as its important feature for the future of the laborer is the pension plan, Social Security, pension plans of the companies and his own insurance and bonds, savings of that kind.

"Now, when he starts to make those savings at the beginning of, let's say, a 30 year period of work, but every year there is inflation, regardless of his wages, he cannot get back then out of his pension dollars that are better than at least the median dollar — he will get back the dollars at the end of his inflationary period; whereas, he was paying in his dollars at the median of that whole process.

* * *

"Therefore, I think that, first of all, if we are going to remain a country without artificial control, meaning that we are not going to try to go into a Federally controlled economy, then labor

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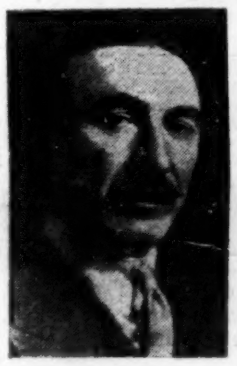
Gold Today

By RENÉ LÉON
Princeton, N. J.

Mr. Leon offers several angles of approach to the "problem of gold" and recommends we adapt our monetary and exchange policies to present day conditions. With regard to the latter, he favors free to fixed exchange rates and, as to the former, advocates that the U. S. Treasury cease its minimum price guarantee for gold and allow "this near useless commodity" to remain solely in the free market. Avers demonetization of silver destroyed silver's equivalence with gold, and reduced metallic reserves required by a credit-system; decries International Monetary Fund; asserts Treasury obligatory purchases of gold regardless of origin furnishes foreign aid to Russia; questions our state of wealth in view of our debts; would control U. S. dollar's circulation abroad; and says our dollar loses value daily.

Why does our treasury buy gold? Surely not because gold is money, for we are forbidden to own gold, let alone use it as a medium of exchange. Do we use gold as a settler of international payments balances? Only fractionally, for, were it otherwise, we would not be called upon to extend foreign loans, credits, grants-in-aid, etc., to balance other countries' deficits in their international payments positions often caused by their own economic mismanagement.



Rene Leon

We are constantly reminded from abroad that, as "The Richest Nation" we have the obligation to come to the aid of the "needy" and underdeveloped countries of the world. But how rich are we? What is the sum of our Federal, State and Municipal debts which, when added to our private obligations, far exceed our national income? And is one rich who earns a dollar and owes two? The true indice of our financial condition is the status if our dollar which daily loses value.

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Railroad Leaders View The Industry's Outlook

Chief executives of many of the nation's leading carriers and suppliers, also ICC Chairman, in articles especially written for "Chronicle," outline their opinions as to prospects for individual roads and industry as a whole.

The "Chronicle" is privileged to present today the opinions of the chief officers of a representative cross-section of the nation's railroads and suppliers, also of the Chairman of the Interstate Commerce Commission, on the economic outlook for the industry as a whole and specific carriers. These articles, especially written for the "Chronicle," begin herewith:

HOWARD FREAS

Chairman, Interstate Commerce Commission

With the passing of summer come encouraging signs of commercial and industrial improvement. There is evidence also of increased initiative on the part of railroad management. These combined factors should assure increased traffic for the railroads. A number of economic indicators point to materially higher carloadings for the final quarter of 1958 than those of the corresponding period last year. With the pruning of costs necessitated by recent traffic scarcity, increased volume should bring substantially increased profits.

Howard Freas

Another favorable factor is the recently enacted legislation. The repeal of the 3 per cent transportation tax, the tightening of the agricultural exemption provision, and the redefining of private carriage, should at least help to halt the erosion of traffic now being transported by the railroads.

A third hopeful sign is the determination of the railroads to modernize and improve their facilities. I had

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SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 38.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Ruberoid Company — Richard W. Clarke, Jr., Richard W. Clarke & Co., New York City. (Page 2)

Sterling Drug, Inc.—W. H. Oppenheimer, Partner, Oppenheimer, Vanden Broeck & Co., New York City. (Page 2)

RICHARD W. CLARKE, JR.
Richard W. Clarke & Co., N. Y. City
Members: New York Stock Exchange and (Associate) American S. E.

Ruberoid Company

I consider the common stock of this company to be an excellent investment and present some of the reasons for this opinion:

(1) The company has paid consecutive cash dividends each year since 1889.

(2) Capitalization is represented by 1,481,071 shares. There is no debt or preferred stock outstanding or authorized.

(3) Company report for the year ended Dec. 31, 1957, shows current assets of $25.16 million, equal to 12 times the amount of current liabilities, $2.10 million; cash and government securities, $9.25 million, are more than four times the current liabilities of $2.10 million.

(4) The company has expended more than $34,500,000 for plant construction and rehabilitation during the past 10 years; this is equivalent to $23.35 per share outstanding. Funds for these purposes were obtained entirely from retained earnings.

(5) The common shares, listed on the New York Stock Exchange, sell at about 10 times earnings, and provide a yield of 5.6% on dividends paid during 1957.

(6) Dividends on the common shares have been increased in 10 of the past 11 years.

(7) Stockholders' equity has increased from $15.92 per share at the end of 1947 to $36.52 per share at the end of 1957.

(8) I believe the company enjoys an able and aggressive management.

The Ruberoid Company is one of the nation's largest producers of asphalt roofings and shingles and is a leading manufacturer of asbestos-cement building materials. In addition, it produces gypsum wallboard, lath, plaster and block, insulations, automotive felts and boards, building papers, insulating tapes, asphalt paint and lacquers, waterproofing and fireproofing materials.

The company was originally incorporated in New York in 1886 as a manufacturer of asphalt paints. From that time the company has, by expanding facilities, building new plants, and by acquisition, reached their present position in the building material field. Ruberoid operates seven felt mills (one newly opened in May 1957), 11 asphalt roofing mills, four asbestos-cement plants, an asbestos mine, and a gypsum plant and mine.

The construction industry, which Ruberoid supplies, is considered a keystone of the economy. In 1957 total construction activity — public, private, nonfarm, farm, industrial and commercial new building and total maintenance and repair work — was valued at approximately $60 billion, or about 15% of Gross National Product.

In this market, new private housing has been the biggest factor and at the current rate amounts to about $15 billion annually. The social and economic forces which stimulated the erection or more than 11,000,000 new non-farm houses from 1946-1957 included rapid population growth, high level of consumer income, government guaranteed mortgages, accelerated slum clearance, and a shift of population from cities to suburbs and from one section of the country to another. All of these forces are still active and are likely to remain active.

In the United States today are an estimated 50,000,000 home units. The current rate of family formation is about 700,000 a year and about 300,00 houses become obsolete or are demolished every year. Consequently, it is essential that nearly one million new units per year be built to keep pace with today's standard of shelter and a greater number will be needed if that standard is to be improved.

New building is important to Ruberoid. Asbestos-cement sidings have become the fastest growing in popularity in the nation and 85% to 90% of all roofs being put on today are made of asphalt. Repair, renovation and maintenance work are equally important to Ruberoid. In normal times, more than half of the company's output goes into repair and maintenance projects. Historically, repair expenditures tend to increase as new building declines and this market has given Ruberoid a high degree of sales stability. Ruberoid products are sold nationally through 20,000 distributors — wholesalers, retailers and applicators. The only consumers the company serves directly are Federal and state government agencies, large industrial companies and railroads.

Sales in 1957 were the second highest in the company's history despite the sharpest decline in new housing activity since 1948. Net income amounted to $3.25 per share as compared with $2.90 per share in 1956. This improvement was largely the result of an expanded sales effort and increased production efficiency. Maintenance and repair of existing homes, the largest market for Ruberoid products in 1957, is of a growing importance. Since the number of homes in the nation becomes greater every year, and must be maintained in both good times and bad, the outlook in this field for Ruberoid continues to be favorable.

The following figures will show the financial growth of the company:

	1957	1956	1955	1954
Net sales (millions)	81.07	76.36	82.13	76.42
Net earnings (millions)	4.808	4.292	4.511	4.628
Earnings per share (dollars)	3.25	2.90	3.05	3.13
Dividends per share (dollars)	*2.10	†2.00	†2.00	1.75
Percent of earnings paid	64.6	69.0	65.6	53.9
Stockholders' equity (dollars per sh.)	36.52	35.38	34.48	33.44
Current assets (millions)	25.16	25.27	26.12	25.59
Cash & Government secs. (millions)	9.25	9.89	9.54	9.48
Current liabilities (millions)	2.10	2.27	2.40	2.40
Current assets: Current liabilities	12.0	11.1	10.9	10.6

*Includes 50 cents year-end extra. †Includes 40 cents year-end extra.

The market range of these shares has been 26⅞ low to 49½ high for the years 1954 through March 31, 1958.

I believe that Ruberoid common, selling at about 37, is an outstanding vehicle for income and capital gains, and recommend its purchase.

W. H. OPPENHEIMER
Partner, Oppenheimer, Vanden Broeck & Co., New York City
Members: New York Stock Exchange and American Stock Exchange

Sterling Drug Inc.

The security I like best at this time is Sterling Drug Inc., a stock which has appeal both for those who seek a sheltered security and those who look for substantial capital appreciation possibilities over the longer term.

W. H. Oppenheimer

The reason for my selection is that besides a lot of excellent qualities, the stock still has a hidden value, in my opinion, which will be developed profitably over the next few years. Sterling Drug is this country's largest proprietary drug manufacturer. Such well-known items as Bayer Aspirin, Phillips' Milk of Magnesia, Dr. Lyons Tooth Powder and various other toiletry items have enabled the company to conduct successful operations over many years. Through its eminent position in the proprietary drug business, the company benefits from the recession-borne reluctance of many people to incur high doctor bills and rather use well-known and well advertised drugs.

In recent years, the company developed its Ethical Drug division, (Winthrop Laboratories) which has shown particular success with newer research items, such as Aralen and Plaquenil, which have become important in the treatment of Rheumatoid Arthritis and Malaria.

The earnings of the company showed excellent growth for the last five years, culminating for 1957 in a record $2.38 per share compared to $1.32 in 1952. Nineteen fifty-eight first quarter sales soared to a record high of $54.9 million, up 11.2% from a year ago and earnings gained 9.8% to $0.64 per share, domestic sales accounting for about 70% of this increase. I estimate that current year's earnings will rise to a new record between $2.50 and $2.75 per share.

Sterling Drug has an uninterrupted dividend record since 1902. Dividends paid by the company have been steadily increased to $1.50 last year against $1 in 1952. In recent years, the company's dividend payout amounted to about two-thirds of its net earnings after taxes. Thus, a rate of $1.50 is my minimum expectation for this year, giving a yield of about 4% at the current price of about 38. This compares favorably with the shares of other well-established drug companies.

To this must be added the fact that the company has developed an entirely new line of business which promises to become increasingly profitable in the future. I believe that this possibility has not been discounted in the current

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Southern Industrial Growth And the Textile Industry

By DR. FRANK J. SODAY*

Chairman, The Southern Association of Science and Industry

The whole panorama of Southern industrial and agricultural growth is unfolded and broken down into its principal components by Dr. Soday to show tremendous progress made and bright future predicted for this area's economic activities. He asserts the textile industry can again look forward to becoming a dynamic growth industry as it is in an excellent position to expand its operations and develop new markets. Believes South's resources are capable of supporting an industrial expansion which could make it the most prosperous region in the country within the next decade providing plentiful favorable growth factors are used to fullest extent.

When the Southern Textile Association was formed fifty years ago, 37% of the cotton textile mills of the country already were located in the area. Today, some 80% of the cotton spindles of the country are in the South.

Dr. Frank J. Soday

This movement of the textile industry into the South at the turn of the century provided the strong and enduring base upon which southern industry has been built since that time. Cotton mills were followed by rayon and acetate mills, and wool and synthetic fiber mills have been added in recent years. By 1939, 35% of the country's textile industry was in the South, increasing to 47% in 1947, and to 56% in 1957. The South should have 65% of the textile industry of the country by 1967.

The southern textile industry includes 2,400 mills, 600,000 employees, and produces goods valued at $7\frac{1}{3}$ billion. It is the South's fourth largest industry, and ranks eleventh ($1.3 billion) in the nation. The combined textile-apparel industry is the South's second largest industry ($10 billion) and the fifth largest ($26.5 billion) in the nation.

At the same time, it has not kept pace with the growth of industry as a whole. The southern textile industry has increased in size $5\frac{1}{2}$ times since 1939, while all southern industry has increased in size seven times in the same period. For the country as a whole, manufacturing has increased in size $5\frac{2}{3}$ times since 1939, while the textile industry has increased by $3\frac{1}{3}$.

This is a reflection of the fact that the proportion of the consumer dollar devoted to textiles has decreased during the same period in favor of other items. The per capita consumption of fibers has increased by only 12% since 1939, equivalent to $1\frac{1}{2}$% per year, while the per capita consumption of a number of other important items has doubled during the same period. Due to changes in style and living conditions, garments have become lighter in weight and more casual in style.

Each of us is faced with a host of new products competing for a share of our spending money. The majority of these are the products of research and development, which is one of the fastest growing segments of our industrial economy. Starting with an annual expenditure of under $1 billion in 1939, the amount spent in this activity during the current year will exceed $8 billion. The products of this work are reaching the market in ever increasing numbers.

In textiles, the research picture is not a bright one. While industry as a whole spends an average of 2% of sales annually on research, the textile industry spends only 0.1%. This does not reflect any lack of interest in this important field on the part of the textile industry, but only lack of means. Plagued with over-capacity and increasing foreign competition, the industry has had a difficult time in maintaining its position, and its profits have not kept pace with those of other major industries.

An average of seven years elapses between the initiation of research and the marketing of the products resulting from such work. The new products on the market today competing for the consumer dollar are largely the result of research work initiated in 1951, when the total research bill was $2\frac{1}{2}$ billion. With research expenditures now three times as high, in 1965 we shall have an even greater competition in the market place. The fact that the textile industry has not been able to compete in this field on an even basis is one reason for the prediction made some time ago by one of the authorities in the field that the proportional expenditures on soft goods will be down by 2% by 1965.

Fortunately, the textile industry is well aware of this problem and determined efforts are being made to bolster the position of the industry in the research field. Developments during the past few months lend encouragement to the view that the textile industry will assume a more commanding position in the research field. The

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*An address by Dr. Soday before Southern Textile Association's Golden Anniversary Convention, Asheville, North Carolina.

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Red and Black Rails

By DR. IRA U. COBLEIGH

Enterprise Economist

Some sideline comment on debits and credits in the railroad picture today; plus notes about a few of the more attractive railway equities.

In the late recession, few industries got hit so hard and so fast as the rails. The first quarter of 1958 revealed a whacking drop in both gross and net that not even best trafficked and best managed lines could escape; although some were hurt more than others. To be specific, for the month of February alone, Class I carriers lost $9 million as against a net profit of $48 million for the same month in 1957; and for the first two months of 1958 together, the net of these same Class I carriers was 91% below the identical 1957 period. This is not a dip in earnings; it's more of a collapse, and has been followed, as you know, by a veritable procession of dividend reductions and omissions; by substantial layoffs and, in many instances, 10% salary reductions across the board for non-operating personnel.

Ira U. Cobleigh

Actually the stock market was fairly prophetic of these gloomy events since it racked up the lows for the rail list in December of last year; but since then has been pegging away at plus signs so that some issues have already scored notable comebacks. For instance, B & O has moved from a 1958 low of 22⅝ to a high of 38⅜; Seaboard from 21⅛ to 33¼; and New York Central from 13¼ to 20. All of which suggests, to investors in the market at least, that wails about the ailing rails may have been a bit excessive.

These wails, however, did fall upon sensitive ears in the Congress; so much so that the first major revision of the Interstate Commerce Act since 1940, the Transportation Act of 1958, became law. This so-called Smathers-Harris Act first of all offers railway financial relief permitting up to $500 million in government guaranteed loans for new equipment purchase, and/or for maintenance. The Act further beefs up the powers of ICC by giving that agency the right to overrule state regulatory boards on rate and abandonment decisions; and by tightening ICC controls over private carriers, and the haulage of certain farm products. The Act introduces a principle of abandonment of heavily losing passenger service where its continuance creates "an unjust and undue burden" on the subject carrier. And in addition to this remedial legislation strengthening the competitive position of the rails, the 3% excise tax on freight transportation was repealed as of August 1.

So much has, indeed, been done for railway relief; but legislation is no substitute for traffic. There has recently been a moderate week-to-week improvement in railroad carloadings. For instance, the week ended Aug. 2 carried freight loadings to 622,204 cars, up 2.4% over the previous week, but still down 16% from the corresponding week in 1957. Coal and grain traffic is picking up but there's nothing in sight in the way of tonnage to make 1958 a good railroad year. The eastern roads have been hardest hit. First half deficits were $4,962,496 for the New Haven; $25,565,920 for the New York Central; and $25,353,012 for the Pennsylvania. (The unbroken Penn record of paying some dividend in each year since 1848 is in apparent jeopardy.)

For the more troubled roads, improvement must be found through tighter cost controls, more aggressive freight solicitation, further abandonment of high-deficit passenger lines, local tax relief and, quite possibly, mergers. Not since 1928 have we heard so many mergers mentioned: The New York Central and Pennsylvania; Lackawanna, Erie and Delaware & Hudson; Frisco and Central of Georgia; Missouri Pacific and Texas & Pacific, etc. But, unlike 1928, merger rumors are not currently accompanied by jazzy market run-ups in the subject shares. For instance, nobody rushes to buy Central because it may merge with the Pennsy; or vice versa.

There are, however, quite a few lines that should turn in quite creditable results this year. We'll mention a few with a word or two of comment about each.

Of the eastern lines, B & O appears most favorably situated. It packs a powerful leverage wallop, with 2,547,000 common shares preceded by $60 million in preferred and $477 million in funded debt. It is operating in the black, should earn $5.25 this year (against $8.53 for 1957). Moreover, by discontinuing its New York-Washington passenger runs, it is in a position annually to save around $2 a share in a rare accounting classification — unincurred losses! The stock at 37½ is down from a 1957 high of 58⅝. $2.50 was paid in cash dividends last year.

If the record grain crop lives up to its billing, Rock Island at 28 may prove somewhat underpriced. The dividend has been reduced to $1.60 and should be maintained there, providing a yield of 5.7% currently. Stock sold at 50⅞ in 1955.

Norfolk and Western has paid continuous dividends since 1901. Presently the rate is $3.60 regular plus a 40c extra paid at the 1957 year-end. It seems probable that this $4 total will be paid again this year out of ample indicated earnings of around $6. Norfolk and Western is well managed, has over $40 million in net working capital, and is progressing rapidly toward complete dieselization which should, within two years, add around $1 a share to net earnings. At 71 the stock, on the $3.60 regular rate, yields 5.07%. One of the least speculative rails.

At a little higher price, Texas & Pacific has a sturdy look. It paid $8 a share last year. Its revenues for the first five months were only 10% below 1957. There's a kicker here by virtue of the 105,196 shares of TXL oil common in the company treasury. Texas & Pacific common sells around 115.

One of the very best rail performances turned in so far this year has been by Union Pacific. For the first six months per share net was $1.25, down only 18c from the same period in 1957. The dividend is $1.20 regular plus a 40c extra and it appears both should be paid this year. UP has long been a rich road and its non-rail revenue alone last year were more than enough to pay all bond interest and dividends. Many investors feel that if they were to own but one rail stock, it would be Union Pacific.

Southern Railway is another resolute performer in a rough year. For the first six months it earned $1.99 a share against $2.57 for 1957. But present earnings flow appears sufficient to assure the $2.80 dividend and the territory served is one of the most rapidly growing industrial sections of the nation. At 47 the indicated yield is 6%. Management is eager and cost control excellent.

Southern Pacific is another rail with a lot of extra curricular activities, including investments, pipeline income from rights of way and over five million acres of land delivering increasing petroleum revenues. $3 dividend should be earned nearly twice this year. Stock at 52 yields 5.8% currently.

Other rail issues weathering this year would include Seaboard, Chesapeake & Ohio, Denver & Rio Grande and Kansas City Southern.

In spite of all the favorable items presented in the foregoing, the simple fact remains that the rails, as a class, have lost the elite status they enjoyed 30 years ago. Even with all the dieselization, and other improvements in operational and maintenance efficiencies, the rails have to meet tough competition from mammoth truck-trailer units, highballing along on new congestion-free superhighways; from a completed St. Lawrence Waterway, and the inland waterway network; from pipelines; not to mention the cost bites of featherbedding, escalator union contracts, and, now, the threat of a pension tax boost from 6¼ to 7½% on the first $400 a month earned by each worker. This may cost the industry $185 million annually.

So we wind up with an assortment of debits and credits, and the conclusion that the rails have been around a long while, and are here to stay; that they are still the backbone of our transportation system; that they have powerful friends in high places; and that they can always add ten more cars to a freight train and carry a very high percentage of the revenue from that addendum down to net. Further, no truck or pipeline has ever been immortalized in song—there's nothing to compete with "The Atchison, Topeka and The Santa Fe," "Down on the Lehigh Valley" "Chattanooga Choo Choo" or you'll pardon the expression, "Sweet Soo."

Observations . . .

By A. WILFRED MAY

THE SHORT-TERM MARKET APPROACH

The concept of the stock market as a forum for betting on the course of business and the economy persists even in the highest places, in the face of its continued invalidation by the actual course of events as well as theoretical logic. The involvement of even the high echelon mutual fund management in this concept is now strikingly demonstrated in the featured article in the current issue of "U. S. News & World Report" significantly titled "What the Stock Market Is *Betting* On" (Emphasis is supplied. In previous articles we have vigorously urged the principle that the raise on d'etre of the stock market is to provide a liquid facility for the transfer of investment values, not a forum for placing *bets* on the future of business or politics.) Embodied in the article are interviews with top executives who guide investment company portfolio activities; asking how they interpret recent and current market action, with, of course, inclusion of some prediction.

A. Wilfred May

Exemplifying predilection for market swing-catching in lieu of embracing a long-term value-based position, is its report of the following exchange with the head of a leading fund:—

"Q. How do you feel about buying opportunities in stocks, in, say, the next three- to six-month period, compared with now?"

"A. I should think they might be more attractive. That means that I think certain stocks might sell lower and be a most attractive purchase at the proper time . . . the appropriate kind of stocks to buy are those connected with the cyclical industries—steels, obviously, and other forms of heavy industry. [sic] I am not yet ready to buy railroad securities."

Another fund manager agreed that "the market is betting on a recovery in business, and that is a good bet."

From others came tieing of the market's action to the immediacy of a business recovery, (with one respondee asserting that if business doesn't improve in the Autumn, the market will drop in reflection of resulting disappointment, with another definitely expecting better buying opportunities in the Fall. Also among the short-term criteria cited are a prospective rise in profits; estimates about the degree of defense spending, and other action by government, including the short-term.

Overall Long-Term Fund Policy

Fund management as a whole has over the years, as shown by the "Chronicle's" quarterly reviews of all portfolio operations, been very sound in desisting from investing policies bound up with chasing the market up and down. Thus, the composite picture derived from the periodic tabulations of the relative holdings in the "defensive" category of cash, investment grade bonds and preferred stocks, and of the "aggressive" area of common stocks, which stood at the conservative proportion of 80-20% at the market highs of 1956, was preserved practically intact ever since. This has included the periods of the 100-point market break of last Fall, as well as the succeeding 15% market rise through the end of the June quarter.

In the case of the international oils, which had been liberally bought during the first half as they were last year, a turnabout in sentiment on such an unexpected and significant occasion as the Iraq revolution would be reasonable and logical. But in this instance, while our survey naturally shows some reduction in investment enthusiasm, the long-term view of the situation has been singularly manifested.

But funds chasing after market fluctuations, and the news, does take place in the case of many individual industries. Our studies show that the oils, rails, metals, and textiles were sold on balance by them during the March quarter, and then bought on balance during the succeeding June quarter and its improvement in market prices and reported business prospects. Utilities similarly were liberally bought on sizable price advances, after having been liquidated during the previous quarter. Some issues in the cyclical copper industry, which had been sold without any offsetting buying during the first quarter, were liberally purchased after the onset of recovery. In the still depressed motors area, Ford and Chrysler, which had been bought during the earlier period, were liquidated in the succeeding interval of falling production, earnings and dividends.

Comparative Group Performance

The intra-market action of industry groups since the beginning of this year, with the relatively good performance of the cyclical or vulnerable industries, confirms the general short-term market-business approach. This is so, even though during this recession period the investment community has shown unusual intelligence in refraining from *following* the economic news.

Such groups among the star performers include the textiles (up 37%*), farm equipments (35%), rails (34%), steels (33%), autos (32%), coppers (27%) and papers (21%)—against a 20% rise by the market as a whole. Performing worse than the whole market have been the relatively stable public utilities, chemicals, oils and telephone and telegraphs.

Among the cyclical issues acting well, and favored by fund portfolio managers through the first half of the year, were the rails, steels, and coppers. Incidentally, the rubbers and the electrical equipments, sold by the funds, were groups which showed a net loss during the period.

Performance Abroad

In Britain, the traditional home of the trusts, as our previous inquiries have shown, shifting of issues within portfolios generally is quite active, with results not too impressive. With "gearing," or leverage from senior securities, in the trusts' own capitalization accentuating the swings in their own common shares' net asset value, their performance over the years has fluctuated around the course of the leading share indexes. This is confirmed in a study of recent performance in the current issue of "The Economist" of London, with the con-

*As compiled by Harold Clayton of Hemphill, Noyes & Co.

clusion "The last 18 months of boom and slump have been as difficult for the trusts as for other investors and they have not done much better, if at all, than other investment funds."

G. Harold Pearson Now With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — G. Harold Pearson has become associated with Dempsey-Tegeler & Co.,

G. Harold Pearson

Midland Savings Building. Mr. Pearson was formerly with Lowell, Murphy & Co., Inc. and prior thereto was Executive Vice-President of Mountain States Securities Corp.

Financing Planned by Banks for Cooperatives

A public issue of $82,500,000 collateral trust debentures of the 13 Banks for Cooperatives is being arranged for next week, according to John T. Knox, fiscal agent of the banks.

These debentures will be sold at par. They will mature in seven months. The interest rate will be announced about Aug. 19.

The proceeds from the sale of this issue will be used to redeem the $49,500,000 of 5% debentures maturing Sept. 2, and for lending operations. These debentures are the joint and several obligations of the 13 banks.

This new issue of debentures will be offered through fiscal agent Knox, 130 William Street, New York City, with the assistance of a nationwide group of security dealers.

"Consolidated debentures of the banks for cooperatives and the income derived from them are exempt from State, municipal, and local taxes. Interest on them, however, is subject to Federal income tax. Also gain from sale or transfer by gift or inheritance is subject to Federal and State taxes," Mr. Knox said.

During the year ended June 30, 1958, farmers' marketing, purchasing, and business service cooperatives borrowed $350,000,000 from the banks for cooperatives. These Federally chartered banks operate under the supervision of the Farm Credit Administration, an independent Government agency. Although the Government shares in the ownership of the capital stock in these banks with cooperatives that use them, their debentures are not guaranteed by the Government.

New Thomas Branch

LAKELAND, FLA. — Jerry Thomas & Co., Inc. has opened a branch office at 122 West Main Street under the management of Linton H. Terry, Sr. Also associated with the new office are Linton H. Terry, Jr. and Olav R. Tergesen. All were formerly with the local office of A. M. Kidder & Co., of which Mr. Terry was manager.

Joins Birkenmayer Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Hugh C. Alkire has joined the staff of Birkenmayer & Co., 734 Seventeenth Street.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Improvement continued the past week to be reflected in the current statistics of business and industry and while the "metalworking industry is not out of the woods yet" as The Iron Age phrases it, this trade weekly continues by stating, "many metalworking firms are better off today from a new order standpoint than they were several months ago."

Last week the electric power industry set a new all-time high level of kilowatt output for the second consecutive week, while carloadings in the latest reporting week (Aug. 2) increased 2.4% above the previous period. In the automotive industry, notwithstanding widespread closedowns to permit factory changeovers on new models, output in the week ended Aug. 8 advanced somewhat. Trade volume the past week also expanded and was 1% to 3% higher than a year ago, according to Dun & Bradstreet, Inc.

Turning to the nation's employment field it is noted that unemployment fell 2.6% in the month to mid-July when a 10% drop is normally expected, halting a two-month improvement in the nation's job picture, the United States Departments of Labor and Commerce reported.

The decline was 143,000 to 5,294,000, the joint survey noted. The usual change expected in the month would have pushed idleness down by about 500,000.

Because the drop did not measure up to the expected decline, the seasonally adjusted rate of unemployment rose from 6.8% to 7.3%. The rate had dropped below 7% in June for the first time since the recession began.

Employment rose by 198,000 to 65,179,000 at mid-July but this improvement, too, was not as large as the ordinary seasonal change, the agencies pointed out.

The two departments declared the changes were not significant and noted that "heavy rains in various parts of the country apparently curtailed some farm and other outdoor work."

There were some optimistic developments in mid-July, the agencies continued. Employment in manufacturing, at 15,165,000, changed negligibly from mid-June whereas a moderate decline is usual. Durable goods industries, particularly the fabricated metals and machinery industries, reported less than seasonal cutbacks, the report showed. Employment levels are watched closely in durable goods because the recession has largely centered in these industries.

"The automobile industry continued to report small job reductions although there were indications of job strength among producers of automobile components," the joint survey revealed.

For the week ended July 26, the United States Department of Labor said, the number on unemployment compensation lists dropped 132,600 to 2,422,800, the largest decline of the year. It attributed this to resumption of work in some plants that had closed for summer vacations to seasonal upturns in food and apparel industries, and to the number of idle workers who exhausted their jobless pay benefits. These totaled 275,000 in July, the agency said.

A year ago in the like week, the number drawing unemployment compensation dropped by 67,000 to 1,230,600. Forty states shared in this year's decline, led by New York with 25,700 and Michigan with 20,500.

Layoffs, in preparation for changeovers in automobile models in Michigan are under way, however. For the week ended Aug. 2, Michigan reported an increase of 11,600 in new claims for unemployment compensation. In that week there were 318,600 new claims across the nation, 100 below the week before.

The number drawing payments under the temporary unemployment compensation program rose 15,900 in the week ended July 26 to 526,300. New claims for these payments in the week ended Aug. 2 rose 500 to 78,400.

In the steel industry this week metalworking has seen the worst of its recession, but the industry is not out of the woods yet, "The Iron Age," national metalworking weekly, stated on Wednesday last.

Reporting the results of a coast-to-coast survey, it said that while overall durable goods orders are trending upward, the picture is still cloudy. Automotive and capital equipment spending are the big question marks.

It pointed out that it may be several months before Detroit knows how its new cars are going over with the buying public. Capital equipment spending is still lagging in relation to last year. Outlays for new equipment dropped from an annual rate of nearly $38,000,000,000 last summer to $31,400,000,000 in the second quarter of this year.

Many metalworking firms are better off today from a new order standpoint than they were several months ago, this trade weekly added. But the pickup has been slow. In some cases the improvement has as yet served only to slow rather than halt a decline in order backlogs.

Still, the trade magazine continues, there is a general feeling of optimism in the industry. The consensus is that the shakedown is about over and better times lie ahead.

"It's definitely starting to pick up," says the sales manager of a large Detroit foundry. "We've been living from hand-to-mouth for the past couple of months, but we have some business in the shop now."

Comments the president of a machine tool and machinery firm: "The machine tool industry hasn't seen bottom yet. Orders are going up, but backlogs are still dropping."

The president of a steel mill equipment company had this to say: "Business is being placed. Our proposal department is working overtime. Both domestic and foreign markets show improvement."

U. S. Steel's decision to cut the price of stainless steel plate raises the question of whether stainless prices generally will rise, "The Iron Age" stated. Chances are they will, but for the moment the situation is confused. Also uncertain is the outlook for steel rail prices. This market is depressed, and no one seems to be in any hurry to move prices up.

Meanwhile, the steel market continues to improve despite the rise in prices. If the current trend continues, August may be as good a month as June, when order books were swelled by hedging against the expected price boost. At worst, August will be second only to June. A still further pickup is seen in September, when automotive orders will really begin to take hold.

"Every single product shows an improvement," says the president of one company. He expects August to be a better month than June. Another mill says August will be a shade under June.

Both mills say the gain comes largely from miscellaneous users, with some help from automotive. Backlogs of orders are moving out steadily, concludes "The Iron Age."

On Friday last, "Ward's Automotive Reports" noted that July 21-31 new car sales showed a sharp 12% rise over July 11-20 with a daily rate of 14,640 that carried the entire month to 347,500, or 13,365 daily.

Average July daily sales were an expected 13% under June, but in the same period last year the decline was 20%. The statistical agency declared the 1958 model inventory cleanup outlook remains favorable with Aug. 1 stocks of 660,000, some 118,000 below like 1957 and earmarked for an August decline that matches the cutback in May-June-July combined.

Assembly plants of Chevrolet, Plymouth and Ford Motor Co. continued to turn out 1958 model cars the past week, "Ward's" reported as all other manufacturers prepared for 1959 model operations.

Planned last week were 66,425 automobiles and 15,138 trucks compared to 62,846 cars and 16,276 trucks the week before.

According to "Ward's," widespread factory closedowns will hold August car production to a programmed 178,000 units, 45% fewer than July's total of 321,053. However, this month will see the start of 1959 model outturn as Buick and Imperial plan to get under way Aug. 18 and Rambler a week later.

This agency added that despite the fact the end of their model runs are approaching, Chevrolet and Lincoln were on overtime programs last week. Chevrolet's Flint, Mich., Janesville, Wis. and Tarrytown, N. Y., car-making units and Lincoln's Wixom, Mich., factory were scheduled to work last Saturday.

Closing down for changeover the past week was Plymouth's

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The Business Outlook

By W. L. LEAVITT and C. R. JUNG*

Mr. Leavitt is Director of Commercial Research and Mr. Jung is Supervisor of Economic Research, Commercial Research Division, Standard Oil Company (Indiana)

Two mid-west oil economists apprize the business outlook and in doing so utilize economic theory to gain some insight into the economy's present troubles and its probable future. After pointing out the extent, causes, and recovery prospects of the present recession, they note a close relationship existing between economic capacity and demand and crude oil runs since World War II. The authors believe the near-term recovery is likely to be moderate, and agree the petroleum industry is recovering from the recession slump and that further growth is expected.

Introduction

The American economy seems to be coming out of its third post World War II recession. The pattern of this recession was similar

W. L. Leavitt

C. R. Jung

to those of 1949 and 1954. It proceeded more rapidly, and final figures may indicate that it has been more severe, than its two post-World War II predecessors.

A recession is difficult to define precisely; however, it is generally held to refer to levels of employment and production which are more than seasonally reduced but which do not feed on themselves and extend over several years. In this regard, it appears as a minor cyclical variation about a long-run rising trend.

This recession has been mainly one of inventory reduction. Final demand (the sum total of all goods and services consumed in the economy) has held at year-ago levels in dollar terms. Recently revised Department of Commerce figures show that final demand averaged \$436.4 billion in the first half of 1958 versus \$436.8 billion during the first half of 1957. Inventory cutting took place at a rapid rate. Inventory disinvestment averaged \$9.5 billion (annual rate) in the first half of 1958. This disinvestment in inventories occasioned a large drop in factory output and a corresponding increase in unemployment. The Federal Reserve Board Index of Industrial Production dropped to a low of 126 (seasonally adjusted, 1947-49=100) in April and unemployment has gone over the five million mark. But industrial production was up to 130 in June and there are indications that the inventory situation may be stabilizing.

An ominous background, and perhaps even the occasion for the inventory recession, was provided by declining investment in plant and equipment. As the possibility arose, therefore, that the recession might feed on itself, banking and government authorities initiated a "turn-around" in monetary and fiscal policy designed to bolster the economy.

Economic analysts have to look at broad and, in some respects, rather indirect measures of the economy's performance if they are not to be misled by isolated reports on for example, lay-offs or hirings, plans for expansion or contraction by individual companies and so on. And, contrary to some popular opinions, analysts of the economic picture have at their disposal bodies of theory on which there is fairly wide professional agreement. Throughout this paper, reference will be made to areas where the discipline of economics offers some insight into the economy's present troubles and its probable future.

As a first step, for example, in appraising the state of the economy in the light of the developments outlined above, economists generally look at the total income stream (which is most accurately measured by what is called Gross National Product) and the major components of that stream as well as the interactions among these component income flows.

The Income Stream

Gross National Product (the dollar value of goods and services produced in the United States) dropped from a peak of \$445.6 billion annual rate seasonally in the third quarter of 1957 to a level of \$425.8 billion in the first quarter of 1958 and rose slightly to \$428.0 billion in the second quarter of this year. It is not possible to trace out each of the component parts of GNP here, but it is useful to look at what has happened to consumer, business, and government spending and what some of the forces operating on these spending streams are likely to be in the future.

Consumer Spending

The consumer is neither a hero or a villian thus far in 1957-58. He has not panicked, but neither has he been a dynamic force in the fields which count the most in industrial production, namely, automobiles, appliances, and housing.

The consumer's income is generally regarded as the determining factor in his spending behavior. Total personal income is above comparable 1957 figures (unadjusted for price changes) and total consumption expenditures are holding up. Consumption expenditures were at a seasonally adjusted annual rate of \$287 billion in the first half of 1958 as compared with a figure of \$281 billion in the comparable 1957 period. These may even grow in 1958 despite the present recession because "built-in stabilizers" and easier monetary and fiscal policy (to be discussed later) are expected to bolster disposable personal income.

But in the field of consumer durables recovery may be slower and employment may lag because increasing efficiency of new productive equipment may call for fewer hands. Even if the consumer returns in the near future as a more vital force in the field of consumer durables, employment in these areas may not improve very much.

Business Spending

There is no question but that plant and equipment expenditures will be down through 1958 and into 1959. This fact was established some time ago by the Department of Commerce-Securities Exchange Commission survey of expected plant and equipment expenditures as well as by studies by McGraw-Hill Publishing Company, the National Industrial Conference Board and others. Although these expenditures are still at high dollar levels, the very fact that they turned downward forced the outlook on many that the recession would be prolonged and approach the status of a depression.

The situation has been well known in economic theory for many years and is described by the "accelerator" mechanism which assumes investment expenditures to be a function of the rate of change in consumer spending—one of the interrelationships mentioned above. Businesses only add plant capacity in anticipation of increases in sales. Though final demand for goods has been strong, it is the "rate of change" — the acceleration — of demand that is important and the rate of change in consumption may be small for a while. This put a strong damper on business expansion and "over-capacity" appeared in many industries. However, the very important category of "modernization and replacement" will give plant and equipment expenditures a basic foundation for some time.

Government Spending

Spending on the part of Federal, state and local governments is known to be up in 1958. This in itself had, and will have, a bolstering effect on the economy. However, defense expenditures have recently been accompanied by much confusion. For example, the shift from conventional aircraft to missiles has been a major dislocating factor in recent months. Indications now are that the level of defense expenditures will rise considerably further.

The role of Federal Government spending is likely to be on the plus side as far as business activity is concerned for the rest of 1958 and 1959.

State and local governments have been able to float an increased amount of bonds for much needed construction of schools, hospitals, public utilities, roads and so on. The trend in services provided by these governments will continue upward in the next few years at least. This will be a plus factor on the side of economic activity.

Summary of Income Changes

In the first half of 1958, consumer expenditures averaged \$287.1 billion (seasonally adjusted annual rate) down from a third quarter 1957 figure of \$288.3 billion but up from the first half 1957 figure of \$281.2 billion. What is termed gross private domestic investment was \$48.8 billion in the first half of 1958 down from a peak of \$66.7 billion, mainly from inventory cutting but partly from the slide in capital spending for plant and equipment. Government spending, meanwhile, rose steadily from \$86.4 billion in first quarter 1957 to \$91.0 billion in second quarter 1958. The net result is that GNP (at seasonally adjusted annual rates) dropped from \$445.6 billion in the third quarter of 1957 to a first quarter figure of \$425.8 billion and recovered slightly in the second quarter of 1958 to \$428.0 billion, with most of the drop accounted for by inventory cutting but with plant and equipment spending down somewhat.

Employment and the Price Level

This period has highlighted a problem which confounded the economic profession, and greatly puzzles and, in some cases, has almost paralyzed those charged

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*This article (by Messrs. Leavitt and Jung) is based on a paper originally prepared for presentation at the Sixteenth Annual Joint Technical Meeting of Standard Oil Company (Indiana). The Joint Technical Meeting is an annual occasion sponsored by Standard Oil (Indiana) in which the scientists, engineers and other professional personnel of the parent company and its affiliates exchange knowledge and ideas through prepared papers and discussion of these papers.

From Washington Ahead of the News

By CARLISLE BARGERON

The House government oversight committee, or whatever the committee that has been pursuing Sherman Adams is called, has practically spent the \$250,000 originally authorized for it and wants \$60,000 more. Undoubtedly it will get it but the fact remains that, insofar as the committee's original purpose is concerned, it has spent the \$250,000 with little or no accomplishment.

Carlisle Bargeron

Its purpose was to investigate the independent agencies, six of them — the Federal Communications Commission, the Interstate Commerce Commission, the Federal Trade Commission, the Civil Aeronautics Board, the Securities and Exchange Commission and the Tariff Commission. People are interested in what Congress does, what the President says and does.

As a matter of fact these six agencies, through the delegation of authority by Congress over the passing years, have a tremendous influence over business on which the American economy turns. The purpose of the investigation avowedly was to determine if these agencies were carrying out the spirit and letter of the laws creating them or if they had arrogated too much power to themselves.

This would have been a worthwhile study. I say this was the avowed purpose. Underlying it was the feeling on the part of Democrats in Congress that Sherman Adams had set himself up as a high and mighty boss over these agencies. Thus they think they hit pay dirt when they discovered that Sherman had intervened before the Federal Trade Commission and the Securities and Exchange Commission in behalf of his friend Goldfine.

This finding has practically occupied the committee's investigation. It has made for juicy headlines and has caused Sherman Adams, and presumablely President Eisenhower, a lot of headaches but when the chaff has been sifted from the wheat there is little left to this except some political ammunition which is hardly worth the \$250,000 which the taxpayers have paid.

In fairness to the chairman of this oversight committee, Representative Oren Harris of Arkansas, he has never favored its investigation taking the course it has. He was interested in a serious study of the agencies to determine if they were really functioning properly. But he originally turned the job over to a subordinate member of the committee, Moulder of Missouri. Moulder immediately employed as general counsel, a young New York lawyer who was determined to get scandal. When the committee tried to hold him in check, he planted the so-called scandal he had dug up with newspapermen. In his questioning of witnesses he was just about the most offensive man I ever saw. I am quite sure if I had been a witness before him I would have cursed him out and taken the consequences.

Moulder who defended him, it has been brought out, and who is hailed by some reporters as an intrepid fighter for light and truth, had his daughter on his payroll while she was attending high school. His bland explanation is that he not only wanted her to have the salary but by being on his payroll she was entitled to the medical care which the government gives.

Harris dismissed Moulder as chairman of the investigation and took over himself, but the agitation that he was trying to squelch the investigation has caused him to go along with the witch hunters.

Undoubtedly the House will uphold the committee in its request that Sherman Adams friend, Goldfine, be cited for contempt. But then there is a serious question as to what the Department of Justice, which is charged with prosecuting the contempt charges, will do. After all, Sherman Adams is still a powerful man and also there is the question of whether Goldfine has been in contempt. The committee wants to find out what was the reason for his issuing hundreds of thousands of dollars worth of checks which have never been cashed. As a matter of curiosity I would like to know myself. But there is a serious question as to whether it is any of the committee's business. In his appearance in Washington, Goldfine did not develop to be the lovable guy he had been pictured but that is none of the committee's business.

Congressional investigating committees are good and bad, some worthwhile, some purely political. It depends mostly upon the personality of the chairman and, to a lesser extent, the members.

For example, the good work which the investigation into the housing windfalls in 1954 and 1955 by the Senate Banking and Currency Committee under Senator Homer Capehart did, is just coming to its full light. The Department of Justice has just announced that as a result of this investigation 800 persons and firms have been sentenced for criminal fraud. The government has recovered \$7¼ million. Twenty-five cases are still pending seeking the return of \$11,-300,000.

New Morrison Branch

WINSTON SALEM, N. C.—Morrison & Co. has opened a branch office in the Popper Building under the direction of Peter F. Smitherman.

Byrd Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Lee A. Curtis, Jr. has been added to the staff of Byrd & Company, Fulton Federal Building.

Griffin McCarthy Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — William C. Anderson has been added to the staff of Grififn McCarthy, 8340 Northeast Second Avenue.

Loomis, Sayles Adds

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Leonard Campbell, Jr. has been added to the staff of Loomis, Sayles & Co., Inc., 411 East Mason Street.

Herbert Teden

Herbert E. Teden, President of Teden & Co., Inc., New York City, passed away suddenly Aug. 10 at the age of 56.

The Corporation's Relationship With Its Owner-Stockholders

By O. K. BURRELL
Professor of Finance
University of Oregon, Eugene, Ore.

Good relations between the corporation and its management and the stockholders who own it depend on how management behaves and not upon public relations counsel, programs or communications. In amplifying this thesis, Professor Burrell comments on: (1) turn about in stockholder relations since 1930's; (2) growing body of law on stockholder-management relations sparked by Gilbert brothers, security analysts and more vociferous fringe of investor advocates; (3) circumstance and practices that induce dissatisfaction, and symptoms of deteriorating relations that foretell contest control rumblings; and (4) suggestions on avoiding contests for control and keeping owners properly informed. Warns corporate management must either choose genuine democratic corporate control by stockholders or suffer statism in economic affairs.

Our system of private capitalism has been more productive than rival systems because it has provided incentives and rewards for producing products and services that people want. The profit and loss accounts of business enterprises provide a reasonably reliable guide to consumer wishes. Investment funds are directed into most productive channels not by the edict of a political agency but by the intelligent self interest of owners of investment funds and by those who advise them. The essential ingredients of private capitalism is the free market system in which consumers are free to select goods and services under conditions of competition and where investors are free to allocate savings to new capital investment in response to changes in consumer preferences as indicated in the profit and loss accounts of business corporations.

O. K. Burrell

The relation between the corporation and its management and the stockholders who own it is a matter of increasing public and private concern. The separation of ownership and management raises some grave problems that concern the wise use of resources. When corporations are controlled by those with little ownership interest, and where that control is perpetuated by stockholder dispersion and apathy, the allocation of resources may reflect the interest of management itself rather than the general interest. In general the stockholders interest may be expected to approximate the general interest, not because stockholders are philanthropists, but because the wise use of resources is profitable. Competent management, to be sure, is interested in the profitable use of resources, but unchecked and incompetent management may operate as a drag on the general economy. Moreover, it is unrealistic to expect that even competent managements are qualified to make some decisions. It is an ancient principle that "no man is a good judge in his own case", and it is unreasonable to expect that management which is not coupled with an ownership interest is fully qualified to make an unbiased decision involving complete or partial liquidation.

Managerialism

Some years ago it became fashionable to view the public stockholders of a corporation as simply a class of people with whom the corporation has to deal. The stockholders of publicly held corporations in this philosophy are thus assigned a status quite different than that of stockholders of close corporations, or members of a partnership or sole proprietors. The corporation is regarded as an institution quite separate from its stockholders, with its own obligations to society, its own objectives and with stockholders regarded as more or less "necessary evils" or perhaps as merely contractual suppliers of capital.

An early presentation of this view was contained in a 1933 book by A. A. Berle, Jr. and G. C. Means.[1] This significant work pointed out that the traditional view that the corporation should be run for the benefit of its owners had become something of a fiction. Apathy of stockholders coupled with the difficulty of accurately measuring management results had, in the opinion of the authors, created a situation calling for a decision as to whether social and legal pressure should be applied in an effort to insure corporate operation in the interests of owner-stockholders, or whether such pressure should be applied to bring about corporate operation in the interest of society as a whole.

The authors believed that it would be intolerable to continue to permit corporate operation in the narrow interest of the management group, and that stockholders had in fact abdicated and that it would be impracticable and undesirable to attempt to restore stockholder power. The authors then concluded that social and legal pressure should be applied to the end that corporate decisions be made primarily in the interest of society as a whole. This analysis was made during the period of extreme depression and it was assumed that new capital investment needs of corporations would be modest and could be met from "internal" sources thus making it unnecessary to secure very much new capital from investors.

About a decade later, James Burnham in a book with a strong flavor of technocracy dealt with the same problem[2] but concluded that the technical managers of corporations, as distinguished from the financial managers, would become the new "ruling class" in a kind of subtle but kindly dictatorship.

But the world has vastly changed. Stockholders have turned out to be important. Corporations have needed and do need capital beyond that possible to generate from internal sources. Moreover stockholders seem, rather suddenly, to be anything but apathetic. The financial press appears almost to serve up a new major proxy contest with every edition. Congress has even received appeals for measures to "protect" corporations from "raiders." How the world has changed.

There have been many factors behind this change. The legal force and authority of the SEC has been a substantial influence in permitting and facilitating the fair presentation of issues to stockholders for decision. The accelerated pace of industrial development in recent years have made it necessary for corporate managements to be attentive to stockholder interests in order to facilitate capital expansion. A not inconsiderable force has been the emergence of a number of quite newsworthy "corporate gadflys" with a sincere interest in the sound development of stockholder-corporation relations. The best known are the highly articulate and literate Lewis D. Gilbert and his brother John J. Gilbert who have appointed themselves as stockholders representatives and who attend a great many annual meetings of stockholders and ably present the stockholders case.[3]

1 The Modern Corporation and Private Property, by A. A. Berle, Jr. and G. C. Means, Macmillan, 1933.

2 The Managerial Revolution, by James Burnham, John Day Company, 194[illegible]

Managing Stockholder Relations

There is a growing body of law relating to the relations between management and stockholders. Wise management is coming to realize that recourse to the law is a last resort, and that some corporate decisions ought not to be made by management. Alert management has also come to understand that a sound approach to stockholder relations avoids many difficulties, makes public financing easier, and in many ways promote the best interests of all concerned. The increasing number of proxy contests is symptomatic of two deficiencies in stockholder relations. One of these is the lack of adequate consideration and planning of investor communications. Good investor communications do not necessarily involve expensive public relations efforts, ornate slick paper annual reports and the like; indeed some of these methods are probably worse than no communications at all. But poor communications is not fundamentally responsible for proxy contests and bad stockholder relations. The primary cause lies in how management behaves and not in how it communicates. True, a bad or ineffective management may perpetuate itself for a time by means of good communications; but sooner or later the fact of poor management must become evident to informed investors, and when that time comes a syrupy communications program becomes only an invitation to a proxy contest.

3 See Seventeenth Annual Report of Stockholder Activities at Corporation Meetings, 1956 by Lewis D. Gilbert and John J. Gilbert, Published by the authors, 1957.

In planning good stockholder relations the accent needs to be on good management behavior, management of the enterprise in the sound long-term interests of owners, prompt reporting of financial and operating statements at frequent intervals, maintenance of a dividend policy designed to support a reasonable price for the securities, as well as an organization structure not deliberately designed to prevent management changes. In recent years something on the order of a "stockholders' movement" has developed, led by security analysts and those interested in the efficient functioning of the free enterprise—free market system, as well as a fringe of more vociferous investor advocates. This movement has evolved a sort of platform or code of good management behavior so far as stockholder relations are concerned. Some of the planks in the platform include the following:

(1) All directors elected annually by cumulative voting.

(2) Annual meeting of stockholders held in a convenient location with occasional regional meetings.

(3) A majority of directors independent of management.

(4) Directors to maintain a reasonable ownership interest in the company.

(5) Election of auditors by stockholders.

(6) Orderly conduct of shareholder meetings, no curbing of free speech—post meeting reports when possible.

(7) Reasonable executive compensation geared to performance and subject to review by independent directors or stockholders.

(8) No waiver of pre-emptive rights.

(9) No "side deals" or self dealing between the corporation and management.

(10) Full disclosure.

(11) Some partial reimbursement from corporate funds of the losing side's costs in a proxy contest where a substantial issue has been presented and the losing side polled a substantial vote.

Some of the above points apply only to the large publicly held corporation. The problem of the smaller corporation, especially where stock ownership is concentrated in a single geographic area, is in some ways less difficult and in some ways more difficult. Communication between management and stockholders is easy, but so is communication between a minority or dissident group. Certainly not all of the points enumerated above are of equal importance or equal validity. On the basis of common observation, for example, it would appear that stockholder election of auditors is more a matter of form than of substance. Perhaps in theory, auditors responsible to owners rather than management is ideal, but in practice no case comes to mind where stockholders have elected auditors other than those nominated by management. The ethics of responsible accountants do not permit campaigning for the appointment and this has meant that election of auditors nominated by management has become a matter of form.

Not all stockholder revolts are based upon a genuine interest in better corporate management and the advancement of general stockholder interest. There is such a thing as the corporate "raider." Neither are corporate managements always competent and devoted solely to the best interests of the enterprise and its stockholders. This is to be expected. After all political movements may sometimes be actuated by bad motives; but this is not to say that all political movements should be suppressed. Who is to distinguish good motives from bad? The term corporate "raider" and "liquidator" have come, undeservedly to be bad words. Some corporations ought to be liquidated; some quite large corporations that should be liquidated continue in operation because of the separation of ownership and control and because stockholder groups do not have the resources to force liquidation.

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Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter No. 40—Including number of radioistope users since 1953; discussion of acceleration of atomic power construction in Europe—Atomic Development Securities Co. Inc., 1033 30th Street, N. W., Washington 7, D. C.

Burnham View—Monthly investment letter—Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter.**

Clic—Booklet on teletype car reporting system—Chesapeake and Ohio Railway, 3807 Terminal Tower, Cleveland 1, Ohio.

Fire Casualty Insurance Company Operating Results—Bulletin—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Industrial Production in Japan—Discussion—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same bulletin is a discussion of the **Japanese Auto Industry.**

Japanese Stocks—Current information—Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Meat Packers—Analysis—R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

Oil Industry: A Decade of Gross Margin Movements—Study—Boni, Watkins, Jason & Co., Inc., 37 Wall Street, New York 5, New York.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 19-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Public Utility Common Stocks—Comparative figures—G. A. Saxton & Co., Inc., 52 Wall Street, New York 5, N. Y.

Put & Call Options—Booklet on how to use them—Filer, Schmidt & Co., 120 Broadway, New York 5, N. Y.

Rayon Industry in India—Discussion—Harkisondass Lukhmidass, 5 Hamam Street, Bombay, India.

Review of Recommendations—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Valuation of Going Companies for Purchase or Merger—Use of price-earnings ratio as a guide—Ford, Bacon & Davis, Inc., 39 Broadway, New York 6, N. Y.

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American & Foreign Power—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

American Petrofina—Data—Du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are brief studies of **Truax Traer Coal, Raybestos Manhattan** and **Chicago Pneumatic Tool.**

Arkansas Louisiana Gas Co.—Memorandum—Rauscher, Pierce & Co., Inc., Mercantile Dallas Building, Dallas 1, Texas. Also available is a memorandum on **Mississippi Valley Gas Company.**

Brunswick Balke Collender—Survey—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are surveys of **Burroughs Corp.** and **Mead Johnson.**

Chicago Mill & Lumber Co.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Cincinnati Milling Machine Company—Analysis—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Clinton Engines Corporation—Analysis—Daniel F. Rice & Company, 141 West Jackson Boulevard, Chicago 4, Ill.

Commercial Credit Company—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are analyses of **Cluett, Peabody & Co., Inc.** and **Philips Incandescent Lamp Works** and a memorandum on **Kerr McGee Oil Industries, Inc.**

Eaton Manufacturing Company—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a 1958 Forecast.

Federal National Mortgage Association—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Guardian Consumer Finance Corp.—Memorandum—Albert J. Caplan & Co., 1516 Locust Street, Philadelphia 2, Pa.

Gulf Sulphur Corporation—Analysis—Dempsey-Tegeler & Co., Houston Club Building, Houston 2, Tex.

Halliburton Oil Well Cementing Co.—Analysis—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular are brief analyses of **Harris Intertype Corp., Interchemical Corp., Outboard Marine Corp.** and **Westinghouse Electric Corp.**

International Telephone & Telegraph Corp.—Review—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available is a study of **Fischer & Porter Company** and a memorandum on **Granite City Steel.**

Iowa Electric Light and Power Company—Detailed study—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Lobitos Oil Field Ltd.—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Lockheed Aircraft Corporation—Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Mackinac Bridge—Memorandum—A. C. Allyn and Company Incorporated, 122 South La Salle Street, Chicago 3, Ill.

Mine Safety Appliances Co.—Study—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

National Cash Register Co.—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a review of **Home Oil Company Ltd.**

Rockcote Paint Co.—Report—Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Temco Aircraft Corporation—Report for first six months of 1958—Temco Aircraft Corporation, Department CF 2, P. O. Box 6191, Dallas 22, Tex.

Tenney Engineering Co., Inc.—Study—George, O'Neill & Co., Inc., 30 Broad Street, New York 4, N. Y.

Victoreen Iinstrument Co.—Memorandum—Maltz, Greenwald & Co., 1441 Broadway, New York 18, N. Y.

Weyerhaeuser Timber Co.—Analysis—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Hornblower & Weeks Marks 70th Anniversary

Three Generations—Marking the 70th anniversary of Hornblower & Weeks, Ralph Hornblower, Sr. and his sons, Henry II and Ralph, Jr. (right) meet in front of a portrait of Henry Hornblower, a founder of the firm in 1888.

Hornblower & Weeks, investment bankers and members of principal securities exchanges, is celebrating its 70th anniversary of operations under the original name, according to an announcement by William R. Rovensky, a senior partner of the firm.

In addition to acting as securities brokers for many thousands of investors, Hornblower & Weeks also has been a well-known investment banker over much of its 70-year history, serving as manager or major participant in underwritings of corporate and tax-exempt securities. Partners of the firm are directors of a number of leading industrial companies.

At the time of its founding in Boston in 1888, Hornblower & Weeks had one employee. Today, it has more than 750 employees in 16 offices located in 14 cities. Its New York office was opened in 1901. Recently 50th anniversaries were celebrated by the Chicago, Providence and Detroit offices, the last being the senior investment banking and brokerage firm of Detroit.

The growth of the firm has been generated both by opening of new offices and absorbing other organizations. Two important acquisitions were the partners and staff of the New York Stock Exchange firm of G. M. P. Murphy & Co. in 1942 and the prominent Chicago underwriting house Paul H. Davis & Co., in 1953.

"Hornblower & Weeks prides itself on having fully-equipped offices in a limited number of important cities rather than smaller operations in more cities," Mr. Rovensky said. "In this way, we are able to provide complete investment services at each of our offices." Partners of the firm are located in many of these offices, including Boston, each of the two Chicago offices, Detroit, Cleveland, Portland, Me., and Philadelphia. New York also has a second office which is located on Madison Avenue in midtown Manhattan. The second Chicago office is in a prominent ground floor location on South Michigan Avenue.

Blyth Named Ch'man, Hawes Pres. of Blyth & Co., Inc.

Blyth & Co., Inc., 14 Wall St., New York City, announces that Charles R. Blyth, who has been President of the firm and its predecessors since its formation in 1914, has resigned as President and has been elected Chairman of the Board, which will be the chief executive office. George Leib, of New York, and Roy L. Shurtleff, of San Francisco, will remain as Vice-Chairmen. Stewart S. Hawes, of New York City, has been elected President. The following Vice-Presidents, who together with the above constitute the Executive Committee, were elected Senior Vice-Presidents: J. Lawrence Pagen, Eugene Bashore, A. E. Ponting, Donald N. McDonnell, Paul Devlin and James F. Miller.

Charles R. Blyth

COMING EVENTS

In Investment Field

Aug. 21-22, 1958 (Denver, Colo.)
Bond Club of Denver-Rocky Mountain Group IBA 24th annual summer frolic at the Columbine Country Club.

Sept. 12, 1958 (Chicago, Ill.)
Municipal Bond Club of Chicago annual field day at Elmhurst Country Club; preceded by dinner Sept. 11 at the University Club.

Sept. 18-19, 1958 (Cincinnati, Ohio)
Municipal Bond Dealers Group annual outing—cocktail and dinner party Thursday at Queen City Club; field day Friday at Maketewah Country Club.

Sept. 26, 1958 (Cleveland, Ohio)
Bond Club of Cleveland fall outing at the Cleveland Country Club.

Sept. 26, 1958 (Rockford, Ill.)
Rockford Securities Dealers Association annual "Fling-Ding" at the Mauh-Nah-Tee-See Country Club.

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Oct. 2-3, 1958 (Kansas City, Mo.)
Southwestern Group of the Investment Bankers Association annual outing at Oakwood Golf & Country Club; cocktails and lunch at Eddys Thursday and dinner that evening; golf, etc., Friday.

Oct. 6-7, 1958 (Boston, Mass.)
Association of Stock Exchange Firms Board of Governors meeting at Somerset Hotel.

Oct. 25, 1958 (New York City)
Security Traders Association of New York annual cocktail party and dinner dance at the Hotel Pierre.

Nov. 7-8, 1958 (Chicago, Ill.)
National Association of Investment Clubs 8th annual convention at the Hotel Sherman.

Investment Problems In Decedent's Estates

By RUSSELL A. HUNTER*
Investment Officer, Girard Trust Corn Exchange Bank
Philadelphia, Pa.

An ABC of what a bank's investment officer, executor (and trustee) and co-executor should do, and be aware of, is summarized in Mr. Hunter's paper on investment problems and considerations involved in bonds and stocks owned by a decedent. He distinguishes bank nominee (nominee registration) from beneficial owner (the estate); defines valuation method called "taking blockage"; and explains why he believes corporate fiduciary is best suited to serve as executor and trustee.

An Investment Officer, in the Trust Department of the bank, makes a **preliminary** review of all the bonds and stocks owned by a decedent as soon as a list of the securities can be prepared. The word "list" is used here because in many estates and for a variety of reasons it may not be possible to take actual possession of the securities for some time. However, it is generally possible to obtain a description of the securities and it is from this list that the Investment Officer ascertains whether immediate action is required to prevent the estate from suffering a loss.

Russell A. Hunter

The areas in which this preliminary examination is most important include decisions relative to the sale or exercise of rights and the sale or conversion of convertible issues prior to their rapidly approaching expiration dates or other deadlines. Of equal importance is the prompt closing of margin accounts, for obvious reasons, and the sale of those securities which, because of their highly speculative characteristics, make the estate vulnerable to undue risks of principal. Steps should also be taken at this time to advise the various Transfer and Paying Agents that all future communications should be addressed to the bank.

As a result of this preliminary examination of only a list of those securities to be received at a later date, the experienced Trust Company will immediately recognize any situation requiring emergency action. This ability together with the know-how and skill developed over years of experience makes it possible for the bank to take the steps necessary to save the estate from loss despite the fact that the securities are not physically in its possession.

Nominee Registration

Immediately upon the receipt of securities, most Trust Companies begin the process of transferring the registered issues into the name of their nominee.

A bank nominee, for this purpose, is usually a partnership comprised of Senior Officers of the Trust Company whose sole function is to hold title to registered securities belonging to the many estates and trusts for which they act in an agency or fiduciary capacity. The estate, however, remains the real or beneficial owner.

Such an arrangement, usually only feasible for those who specialize in the administration of decedents estates and trusts, has many advantages. Among the most important is the ability to sell and make good delivery of any registered security at a moment's notice, thus taking immediate advantage of a favorable market situation which otherwise would be lost due to the delays involved in obtaining the necessary papers required, by transfer agents, such as: current copies of letters testamentary, certified copies of the will, affidavits of domicile, inheritance tax waivers, signatures of all co-executors (who may be widely dispersed geographically), etc.

It goes without saying that the approval of a co-executor is necessary and is obtained in all cases. In some instances, an uninformed co-executor will resist the idea of transferring securities to the name of a nominee but after patient explanation of the advantages of such an arrangement, he usually realizes that his fears of the estate losing title to the securities are groundless.

Nominee registration is made possible by the law of many States. Despite this, you will find a few corporations who are prone to be a bit stuffy in that they will ask for papers or affidavits other than those which are usually considered to be sufficient for the purpose by the great majority of transfer agents. In most instances, a telephone call or a letter from your attorney will eliminate any misgivings they may have and transfer will be made, perhaps somewhat reluctantly, to your nominee.

Inheritance Tax Waivers

In many jurisdictions the executor of an estate must obtain a waiver from the taxing authorities before the transfer agent will transfer stock of domestic corporations from the name of a deceased person. Sometimes, a delay in applying for and receiving these waivers results in losing a favorable selling opportunity due to the fact that the stock was not in good delivery form at the time it should have been sold. It is most important that prompt attention be given to this very important requirement because in some situations, such as is the case of a Pennsylvania decedent, it may be necessary for the executor to obtain a waiver from more than one State. An example of this is stock of the New York Central Railroad, for which a waiver is required from Pennsylvania, Ohio, Michigan and Indiana before transfer may be accomplished.

Many estates hold one or more Canadian securities. The delay in obtaining Canadian waivers can be considerable, ranging from several weeks to several months. Normally, two waivers are required, one from the Provincial Government and the other from the Dominion Government. In order to obtain these waivers, payment of the tax due, or a substantial payment on account thereof, is usually required. Much of the information, necessary to compute the Canadian tax, is not available to the executor in the early days of administration and must be developed over a period of time.

Occasionally, an estate will hold securities of British companies. In these instances it is usually desirable for the smaller trust companies to arrange for one of their large city correspondents to have its affiliate or branch in England take out grants of representation and take care of the administration or sale of this type of asset for them.

Reregistration of Jointly Owned Securities

Quite often an executor will discover that some securities are jointly registered in the name of the decedent and another person surviving him. It is to the executor's advantage to promptly take the necessary steps to have these securities reregistered in the name of the rightful owner. By so doing, the executor is relieved of the burden of their physical custody and the responsibility for their safekeeping. He also creates, for himself, the good will of the survivor by making prompt delivery.

Inventory

Having listed the securities, the next step is to value them as of the date of the decedent's death. This inventory is a very important document—the foundation of the executor's administration of the estate. Obtaining values for securities traded on exchanges and traded over-the-counter present little or no problem. However, in those instances where it is not possible to obtain valuations from a commonly accepted publication, it is necessary to obtain them in the form of letters, from two or more dealers who specialize in the particular issue concerned. It is in this area that the executor may have a problem in that there may be considerable variance in the values placed upon identical securities by these specialists. When this happens, as it very often does, the executor must determine the value he will use and be prepared to defend it should any question be raised by the heirs or taxing authorities.

In some estates it is not unusual for the decedent to have owned a large block of a particular stock which, although listed on an exchange or traded over-the-counter, could not be sold, in the quantity held, without depressing the current quotation and perhaps drying up the demand. In such cases the astute executor will consider appraising the security at one or two points below the market quotation. This method of valuation is known as, "taking blockage" and is justifiable only in special situations.

Family business enterprises, regardless of whether they are in the form of corporations or partnerships, present many problems and are perhaps the most difficult to value. A balance sheet as of the date of death plus those for at least five years previous is a prerequisite. However, these will not necessarily show the real value of the enterprise. Perhaps the decedent, himself, with his personality and connections represented the real assets. In unusually complex situations you may wish to obtain assistance and advice from one of your large city correspondents having a special group of officers, in their Trust Investments Division, whose sole function is to expertly appraise and supervise such enterprises for their own estates and trusts.

Specific Legacies of Securities

There are many instances where decedents make specific bequests of securities. Sometimes, there is considerable doubt in the executor's mind as to exactly what the testator meant when the security is inadequately described. For example—"I give and bequeath my 100 shares X Y Z Company stock to John Doe." Which stock does the executor distribute to the legatee when the estate holds both the preferred and common issues of that company?

Another problem arises when the will says, "I give Sally Jones $10,000 Savings Bonds, Series 'E'" and the executor can find no such security among the assets of the estate. Does Sally lose her legacy or does the executor purchase $10,000 "E" bonds with funds of the estate to give her. If the latter, does the executor buy $10,000 face amount of bonds for $7,500 or does he purchase $13,325 face amount of bonds for $9,993.75?

There is also the type of situation in which a bond or preferred stock is specifically bequeathed by the Will, but at the time of the testator's death no such security is held by the estate for the reason that the decedent, in his lifetime, subsequent to making the will, converted the security into common stock. Question—Does the legatee named in the will receive nothing or the common stock?

Investment Authority

An executor or administrator of a decedent's estate may or may not have the authority or power to retain securities owned by the decedent and to make such changes in the portfolio as he deems necessary. If the will does not provide for retention or if he is administering the estate without benefit of a will he usually must liquidate the portfolio promptly to provide for a cash distribution. In many jurisdictions, a year from the date of death may be considered a reasonable period in which to accomplish this. However, should the residuary legatees wish to take securities as distribution in kind, many executors will retain them for this purpose upon receipt of proper indemnification holding the executor harmless for any loss which may occur as the result of a decline in market values. Should the will provide for retention, the executor must then use his own judgment as to which security, if any, he retains for distribution.

Most newly drawn wills give the executor full authority and power to retain securities and to sell, invest and reinvest the proceeds without restriction. It is in this area that the mettle of the executor is put to the test. Some make the grade, others do not. What is "the grade?" No one can honestly say. Much depends upon the temperament of the executor. If he is an experienced corporate executor, chances are that, over the years, his experience will pay off to the extent that, under the conditions which exist at the time, the estate will benefit to a larger degree, than ordinarily would be the case, if an inexperienced individual served in the same capacity with identical investment

Continued on page 32

*From a talk by Mr. Hunter before Pennsylvania Bankers Association's Trust Training School at Bucknell University, Lewisburg, Pa.

Outlook for Mortgage Financing In Nation's Economy of Today

By WALTER C. NELSON*
Vice-President, Mortgage Bankers Association
President, Eberhardt Company of Minneapolis

Mortgage bankers are told they are facing growing competition in conventional mortgages on non-residential property from savings and loan associations and from insurance companies. They are advised to: (1) support legislation permitting investors to purchase conventional loans on a higher ratio of loan to value; (2) participate fully in the new Certified Agency Program; and (3) impress the public with the value of local representation for larger institutional investors. The Minneapolis mortgage banker believes FHA-VA discounts would be eliminated if these mortgages were freed entirely from artificial interest rate control and pointedly asks why these loans now command a 1% discount when the same investors are willing to make conventional loans at par carrying the same rate.

Business is good and all predictions seem to indicate a further improvement. Those who are concerned with the mortgage business primarily must consider it always from at least two points of view. I refer to the short-term and the long-term outlook.

Walter C. Nelson

As most of us in the originating phase of this important business recognize, we are generally four to six months ahead of the day to day market in our planning. The conversations we are having with builders and developers today will produce completed mortgage loans for our investors in four to six months at the earliest. In order that the builder may proceed with his plans he must have some definite commitments as to the availability of funds, the terms at which loans will be made, and cost of such financing to him.

Unfortunately, we are in a political economy that seems to feel it necessary to control interest rates by legislation rather than by supply and demand factors. It seems to be true that control has tended to produce higher prices than lower, both in purchase price of homes and in interest rates. For example, there is plenty of evidence to show that the VA appraisal practice in its initial stages established higher selling prices on houses than would have otherwise been true if selling price and valuation had not been tied together.

Ending FHA-VA Discounts

Today, there is plenty of evidence that discounts on FHA and VA loans could be reduced or eliminated if interest rates were not controlled. For example, why must FHA loans still command a 1% discount when the same investors are willing to make conventional loans at par carrying the same rate?

Investors, too, have gotten into the habit of requiring discounts, the public has been educated into paying them, with the result they will be hard to eliminate.

Give us a free interest rate, discounts will soon disappear altogether, and the borrower will not be paying any more for his borrowed capital than he is willing to pay.

We must not give up our efforts to free the interest rates from legislative and administrative controls. They always act "too little and too late," and the actions taken are very seldom in the best interests of the borrower.

A 5% discount on a GI loan of $15,000 has added $750 to the cost of the house. This is the biggest single cost increase in the purchase of a new home over the past several years. Give builders money at par and competition will level off the prices on a basis that will be fair to everyone. Both VA and FHA, because of their appraisal techniques and built in safeguards for the purchasers, have plenty of control over the market without having to dictate unrealistic interest rates.

So much for the immediate problems; how about the long-term look at the future of the mortgage banking business?

Outlook for Conventional Loans

Do you know that for the first six months of this year 71% of the new housing starts were financed with conventional loans? We have no available figures on refinancing or financing of existing homes, but I am sure we will all agree that the percentage of conventional loans is much higher on existing construction than it is on new housing.

Where do mortgage bankers fit into the conventional loan business, and how are we doing in that highly competitive field?

First of all, let me report that on the larger loans, non-residential, we had the field fairly well to ourselves because we represent the institutions that are in the position to make these larger mortgages. Currently, however, we have two competitive factors that are becoming stronger. One, the savings and loan associations are growing very rapidly. As their deposits increase they must find more outlets for their funds. Generally, they lend in a relatively restricted area, geographically, and must, therefore, seek new types of loans to pay their relatively high dividend rates. As we all know, corporate type borrowers on larger loans have generally been willing to pay higher interest rates than home owners. Savings and loan associations throughout the country are developing a much more substantial volume of new mortgages on non-residential property. We must develop our techniques and improve our services in order to avoid losing this part of the conventional loan business to the same degree as the conventional residential business.

Mortgage Bankers must also be concerned about the tendency of some insurance companies to make the larger loans on a direct basis, therefore eliminating the loan correspondent from the transaction. We must build our service, our contacts, and our ability, prove our value not only to the borrower, but to the lender. It is important to Mortgage Bankers everywhere that the community recognizes the value of local representation for large institutional investors. We are important in the financial community of this country. Make certain that the public is well aware of it.

Solutions Proposed

What are some of the solutions available to us?

(1) We must secure legislation permitting our investors to purchase conventional loans on a higher ratio of loan to value.

This is a state legislative problem because the insurance companies and mutual savings banks are governed by the investment laws of the states in which they are domiciled. The MBA is doing everything possible to develop a favorable climate for introducing this legislation. We are making good progress. It means, of course, that we must continue to work for the full cooperation of investors and state officials to develop legislation that will have their blessing, and a reasonable chance of approval when it is introduced.

(2) Many of us have built a substantial part of our service portfolios on VA and FHA loans. We now have a new FHA program, Certified Agency Program. This is the greatest advance for our industry that has been made since FHA was born. Here we have the opportunity to show what we can do in providing fast service not always available through the FHA offices. This is our opportunity to show our ability to be underwriters of high percentage, long-term mortgages. It is an opportunity for our industry to grow more important. This added responsibility, if properly handled, will be the means of establishing for us a place where long-term financing is readily available without waiting long periods for Commitments. Every Mortgage Banker has the responsibility to his investor, and to the industry to participate in the CAP program, as soon as it becomes available in his territory. By October or November we can expect the program to be on a nationwide basis. If the experiment of using this plan in the entire state of Colorado proves to be successful, we are hopeful that it can be included as a program for metropolitan communities in addition to those communities of less than 15,000 population.

*An address by Mr. Nelson before the opening session of The School of Mortgage Banking sponsored by the M. B. A. in cooperation with Stanford University, Stanford, Calif., Aug. 3, 1958.

FIC Banks Place Debs.

The Federal Intermediate Credit Banks are offering today (Aug. 14) a new issue of approximately $116,000,000 of 2.30% nine-month debentures dated Sept. 2, 1958 and maturing June 1, 1959. They are priced at par.

It was also announced that issues already outstanding with a maturity of December 1958 and January 1959 were re-opened for a total of $7,000,000 and sold for delivery Sept. 2.

Proceeds from the financing will be used to refund $135,000,000 $4\frac{1}{8}$% debentures, maturing Sept. 2, 1958.

The new issue is being offered through John T. Knox, fiscal agent and a nation-wide selling group of recognized dealers in securities.

Mrs. J. W. Herrick With McDonald, Evans Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Mrs. Jewell W. Herrick has become associated with McDonald, Evans & Co., 1009 Baltimore Avenue, members of the Midwest Stock Exchange. Mrs. Herrick has recently been with Barret, Fitch, North & Co. In the past she was an officer of Barrett Herrick & Co., Inc.

Thomson McKinnon Adds

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Howard G. Hunt, Jr. is now with Thomson & McKinnon, Liberty Life Bldg.

Wages, Prices and Productivity

By EWAN CLAGUE*
Commissioner of Labor Statistics, U. S. Department of Labor
Washington, D. C.

Wages-prices-productivity study of nation's overall performance presented by U. S. A.'s Commissioner of Labor Statistics reveals markedly divergent performance since World War II. Mr. Clague points out wages rose faster than productivity in the non-farm segment of the economy since 1954 whereas wages followed closely behind productivity gains from 1947 through 1953, and unit labor cost rose above price increases during 1956 for the first time in the postwar period. Though unable to explain comparatively poor showing of productivity in past two years, the economist seriously doubts this foreshadows a new lower trend in the future when it is expected that past few years of heavy capital investment will bring about productivity increases in next business recovery. Observes agricultural man-hour output has risen much faster than non-farm sector.

The public interest in the interrelationships of wages, prices, and productivity has been greatly increased in the last few years, both in the business expansion of 1955-57 and now in the business downturn of the past few months. However, there has been a great deal of confusion resulting from the economic analyses which have been attempted.

Ewan Clague

Some of these analyses have been quite sound and useful in themselves, but they have not enhanced public understanding. Nevertheless, continued efforts must be made if we are to understand the workings of our economic system and thereby help to make it work more effectively.

There are many difficulties which stand in the way of an acceptable consensus among economists as to the facts and their interpretation. One basic difficulty is the lack of sufficient statistical data to deal with the problem. While it is true that we have far more statistics than we had before World War II, we still have vast gaps in our basic information. Consequently, the statistical tools which economists must use to analyze economic developments are not good enough to do the job which is needed.

Another difficulty arises from the lack of precision in our language. In many respects this is unavoidable. Our economic terms are widely used in the everyday business world, where they have acquired a varied assortment of meanings. We economists can't coin new words which the public would not understand, so we have to devise long and precise phrases which are useful to us in our thinking, but which handicap us in expressing ourselves to the general public.

For example, take the terms which I am attempting to discuss. Prices may represent consumer prices or wholesale prices. The former includes both commodities and services; it reflects the weighting or importances attributed to items by the average consumer family. The Wholesale Price Index consists of commodities only —no services. Nor does this index reflect changes in the prices of land or of buildings. For purposes of our discussion, I shall use both business (wholesale) and consumer (retail) prices, although I recognize that these are not all-inclusive indicators of the price situation in the economy as a whole.

Take wages for another example. This may mean the wage rate per hour or per piece. But it could also mean the weekly wage and the monthly salary, both of which reflect the influence of the hours of work in addition to the rate of pay. From the point of view of the employer the wage rate is a labor cost; from the point of view of the worker it is personal income. Carried a step further, the weekly wage modified by the Consumer Price Index represents worker purchasing power, that is, the real wage. However, we could go even further and subtract the changes in income taxes, and so derive the "real" wage, which is the money wage minus the rise in prices and in taxes.

Determining Productivity

If wages and prices are complex, productivity is far more so. In the simplest terms, it is the output of product per unit of input. The largest input for the economy as a whole consists of labor, and we have ordinarily, for productivity purposes, measured output in terms of labor input. This kind of measure has been historically useful because of its close relationship to the standard of living.

Of course, all factors of production are necessary to obtain output and indexes of output per man-hour reflect the combination of factors of land, management and capital as well as labor. But even if we cannot analyze the causes of productivity gains, it is important that we know whether we are improving our productivity or not.

But this is only the beginning of the productivity problem. How shall we measure the output of the economy? There are several ways of doing it and each gives its own result. For example, the productivity of the economy may be increased because each industry obtains a higher output per man-hour of labor input; but it can also be increased because low productivity industries decline in importance and high productivity industries grow. A productivity measurement which takes account of this latter could show a higher index for the economy, and this is in fact a gain in the productivity of the economy.

So far I have defined productivity as output per man-hour. However, the employer looks at it from the other point of view, namely, the number of man-hours per unit of production. In other words, to him increased productivity is a reduction in labor costs. Hence, it is equally valid to express productivity in a reverse way, as man-hours per unit of product, which under improving efficiency would show a decline over the years.

In the midst of all these varied meanings it is difficult to present economic analyses which can fully interpret economic developments in this country, or even analyses which can command a modicum of agreement. Never-

Continued on page 34

*An address by Mr. Clague before 4th Annual Industrial Relations Conference, Ann Arbor, Mich.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Louis A. Gomez was elected Vice-President in charge of branches in Panama of the **Chase Manhattan Bank, New York.** He will succeed retired J. Edward Healy, Jr.

* * *

John W. Heilshorn has been elected Assistant Vice-President in the corporate trust division of **the New York Trust Co., New York.**

* * *

Henry Wadsworth Whitney, a Trust Officer in the **City Bank Farmers Trust Co., New York** died Aug. 5. His age was 51.

* * *

The New York Savings Bank, New York has leased from the New York Central Railroad the large corner store at 466 Lexington Ave., at East 46th Street, for its first Grand Central area branch, it was announced Aug. 12. The new branch is scheduled to open January, 1959.

Main office of the New York Savings Bank is located at 14th Street and Eighth Avenue. Another branch office of the bank is located in Rockefeller Center.

* * *

William S. Freeman, Assistant Cashier and Bookkeeping Supervisor of the **First National Bank of Highland Park, N. J.**, died Aug. 6 at the age of 69.

* * *

It was announced Aug. 8 that the Boards of Directors of **The National Bank of Pottstown, Pa.** and the **Montgomery County Bank and Trust Company, of Norristown, Pa.**, have entered into a joint plan for the merger of the two banks. The announcement by Gerald M. Anderson, President of The National Bank of Pottstown, and Melvin L. Carl, President of the Montgomery County Bank and Trust Company, states that the proposed merger is subject to the approval of the stockholders of the two institutions and of the State and Federal supervisory authorities.

The published statements of the two banks as of June 30, 1958 indicate that the total resources of the merged bank will be in excess of $92,000,000, with total deposits of $80,500,000 and total capital funds of $10,000,000. The trusts being administered will exceed $69,500,000.

Under the plan adopted, the merged bank will be known as **Montgomery County Bank and Trust Company.**

The joint announcement further states that all officers and employees of the two banks will continue on the staff of the merged institution. Mr. Anderson, President of The National Bank of Pottstown, will become Executive Vice-President of the merged bank with his office in the main office of the company. Mr. Carl, President of the Montgomery County Bank and Trust Company, will continue in his present capacity. The Boards of Directors of the two institutions will continue to direct the activities of the offices, with which they are now identified, as members of Regional Executive Boards.

* * *

A merger certificate was issued approving and making effective, as of the close of business July 25, the merger of **The National Bank of Gordonsville, Gordonsville, Va.** with common stock of $25,000, into **The Peoples National Bank of Charlottesville, Charlottesville, Va.**, with common stock of $1,718,960. The merger was effected under the charter and title of **The Peoples National Bank of Charlottesville.**

* * *

Marvin M. Murchison, Jr., was elected a member of the Newport News board of **The Bank of Virginia, Norfolk, Va.** and was named counsel for the bank in Newport News, according to Heyward T. Denyes, bank regional Vice-President.

* * *

By a stock dividend, the common capital stock of the **First National Bank of Lansing, Ill.** was increased from $100,000 to $200,000, effective July 28; (Number of shares outstanding — 10,000 shares, par value $20).

* * *

The Worthington National Bank, Worthington, Minn. changed its title to **First National Bank in Worthington**, effective July 31.

* * *

American National Bank of Shawnee, Shawnee, Okla. changed its title to **American National Bank and Trust Company of Shawnee**, effective Aug. 1.

* * *

Frank L. King, President of **California Bank, Los Angeles, Calif.** has announced that the Directors of the bank have tentatively agreed to the terms of an exchange offer whereby Firstamerica Corporation proposes to acquire 80% or more of the outstanding stock of California Bank. The understanding contemplates that an offer will be made by Firstamerica to the shareholders of California Bank to exchange newly issued shares of Firstamerica stock for California Bank stock at a ratio of 3.5 shares of Firstamerica for each share of the approximately 1,550,000 shares of California Bank stock outstanding.

In the announcement, simultaneously released in San Francisco by Mr. O. H. Keller, President of Firstamerica Corporation, it was emphasized that no offer can legally be made by Firstamerica Corporation to stockholders of California Bank until after Firstamerica receives favorable action on a wide range of required governmental clearances, including Federal Reserve Board approval of Firstamerica's acquisition of additional bank stocks, Internal Revenue Service confirmation of the tax free nature of the exchange, approval by the California Commissioner of Corporations of the fairness of the exchange offer, and compliance with all other legal and contractual requirements. Firstamerica's formal application to the Board of Governors of the Federal Reserve System for prior approval of the proposed acquisition under the Bank Holding Company Act of 1956 was filed Monday, Aug. 11.

A memorandum of Intent entered into between Firstamerica Corporation and the Directors of the California Bank contemplates that, as a part of the plan of acquisition, and subject to the approval of the California Superintendent of Banks and other regulatory agencies, **First Western Bank and Trust Company**, Firstamerica's California banking subsidiary, would be merged into or consolidated with California Bank. It is also contemplated that upon completion of the acquisition and merger, Mr. Frank L. King would become Chief Executive Officer of both Firstamerica and the combined bank and that the head offices of both organizations would be in Los Angeles.

Sterling's Continued Firmness On Eve of Autumn Pressures

By PAUL EINZIG

The unexpected, unseasonably continued firmness of British sterling receives close scrutiny from one of Britain's outstanding experts. Dr. Einzig attributes hardening of sterling to: (1) Softening of the dollar due to anticipation of greater price inflation in the U. S. A. than in the U. K.; (2) decline in pessimism about Middle East crisis and general international situation; (3) growing optimism about British Conservative Government's election prospects; (4) unexpected progress toward establishment of European Free Trade Area; and (5) hope that decline in exports to hard-hit raw materials producing countries may be offset by increased sales to Communist Bloc. Offers the thought that Bank Rate may be lowered on eve of autumn pressure on sterling, and notes official encouragement to British banks' participation in new endeavor of instalment credit financing.

LONDON, Eng. — Sterling remained remarkably firm during the early part of August. By that time of the year the foreign exchange market usually begins to anticipate the autumn pressure, and importers are beginning to cover their seasonal requirements. Possibly this year they have done so earlier, because they thought that the firmness of sterling was too good to last. As a result, commercial demand for dollars may be less heavy this late summer and early autumn than in other years. Even officially stimulated pessimism about the prospects of a business recession has failed so far to cause sterling to depreciate. Nor has the relaxation of disinflationary measures affected sterling up to the time of writing.

Dr. Paul Einzig

Sterling's Hardening and Dollar's Softening

Sterling's unseasonable strength is attributable to three main causes. The most obvious amongst them is the anticipation of inflation in the United States. Until recently practically all prophets predicted an intensification of the American business recession in the autumn. But during recent weeks the trend of these anticipations has changed completely. It is now widely expected that prices will resume their rise in the United States. And, even though they are likely to rise also in Britain, British inflation is expected to be inferior to American inflation. Hence the stronger confidence in the pound. To some degree hardening of sterling is caused by the softening of the dollar.

The two other causes of sterling's firmness are of a political character. They are a revival of optimism about the political outlook both in the international sphere and at home. The pessimism caused by the Middle East crisis has subsided to a considerable degree, and it is widely expected that the international political situation will improve in the not too distant future.

Much more important from the point of view of sterling's prospects is the growing optimism about the prospects of the Conservative Government. Until a month ago most people took it for granted that the next election would bring back a Socialist Government. And even though it was believed that a general election was not imminent, its probable result cast its shadow before it. The bare possibility of an early election—which could not be ruled out altogether—was sufficient to inspire distrust in sterling. But in recent weeks there was a remarkable increase in the government's popularity in the country. Although an early election is still considered unlikely, this change of sentiment has been sufficient to inspire confidence in sterling. If, as is probable, Mr. Macmillan should succeed in showing some measure of success in the international political sphere, and if there should be no substantial business recession in Britain, a Conservative victory would come to be regarded as a near-certainty. In that case sterling's firmness is likely to continue.

Possible Bank Rate Lowering

The chances are that the authorities might even feel justified in lowering the Bank rate on the eve of the autumn pressure, which would be a most unusual move. It would be based on the assumption that the psychological factor will more than outweigh the commercial factor, so that the commercial autumn demand for dollars need not necessarily cause a depreciation on this occasion.

There is an expansionary mood in evidence. The decision of a number of British banks to follow the American example by taking an active interest in instalment credit financing is an interesting symptom. For a long time practically all banks kept aloof from that branch of business which was left to smaller finance houses specializing in instalment financing. But during recent weeks one bank after another decided to take a participation in the capital of these finance houses. This means that they intend to grant additional credits for the purpose of instalment financing. Until recently the official attitude towards instalment credits was far from favorable. But evidently the authorities now feel the need for encouraging demand, and to that end the banks have been allowed to embark on this new line of business.

A new development which has caused optimism about the prospects is the unexpected progress in the negotiations for the establishment of a European Free Trade Area. Until the last days of July the French Government appeared to have been determined to agree to the participation of Britain and other countries in the proposed arrangement between France, Italy, Western Germany and the Low Countries. There was a real danger that discriminatory tariff arrangements between this group of countries might effect British exporters who had to envisage the loss of a large part of their important continental markets. The danger has now subsided, because the French Government has at last realized that the splitting of Western Europe into two hostile economic camps would be politically disastrous. As a result of the favorable turn in the negotiations, the prospects of British exporters are now viewed with more optimism.

Exports to Communist Bloc

The main cloud on the horizon is the fear that the low level of raw material prices will affect export trade to raw material producing countries. Hitherto the fall in commodity prices has helped sterling, because the terms of trade have changed in Britain's favor. But the price for this gain will have to be paid in the form of a decline in the imports of Commonwealth countries and other raw material producers. Hopes are entertained, however, that this loss might be offset to some extent by an increase in exports to the Communist Bloc as a result of the revision of the contraband list.

Ira U. Cobleigh Gets "Man-of-Year" Award

Being an ardent devotee of anonymity, it was to be expected that only by chance were we to learn that one of our illustrious columnists, Ira U. Cobleigh, was given the "Man-of-the-Year" award by his classmates at the 35th reunion of the class of 1923, Columbia College, held at Arden House, Harriman, N.Y. Besides being a keen analyst of the financial scene, Mr. Cobleigh is an authority in marine transport; a director of nine corporations; and has authored a number of books on finance. The "Chronicle" records with pride the signal honor accorded the gifted Mr. Cobleigh and, although it is quite unnecessary, refers the reader to this week's column by our Enterprise Economist on page 4 for typical evidence of his great popularity in the investment community.

Ira U. Cobleigh

Railroad Leaders View the Industry's Outlook

Continued from first page

the pleasure recently of participating in the dedication and opening of one of the many new "electronic" yards being built throughout the country. Equipped with the latest ideas in car handling such as electronic car retarders, radio and television communications, and electronic safety devices, these yards are the means of providing better service at reduced costs. Other technological improvements designed to improve service and cut costs are being adopted. This is the way to win friends and influence people. There are also reassuring signs that mergers beneficial to the public will be proposed, and that the elimination of costly duplicate facilities will be explored.

It is, however, unrealistic and fanciful to assume that all of the indications for the remainder of 1958 are favorable. Rising operating costs, due primarily to higher prices of materials and supplies and increases in wages, loom as a major railroad problem. Passenger revenues, down 3.5% in 1957, will almost certainly be even lower this year. The steadily growing passenger-train deficit spells continued trouble for many of this country's railroads. However, even in this depressive area there are signs of progress. The experimentation of the railroads in this field, the increased awareness on the part of the public of the seriousness of the passenger-train problem, the recently enacted law giving the Commission jurisdiction in certain circumstances over elimination of passenger-train services, and the Commission's own investigation into the cause of the passenger-train deficit all add to the prospects of a solution of this perplexing problem.

Although as a whole the indications are that conditions in the railroad industry are taking a turn for the better, some individual railroads will continue to be hard-pressed financially. Under recent legislation government guaranteed loans may be authorized by the Commission up to a total of $500 million.

From a long-range viewpoint, the reestablishment of public confidence in railroad securities of all types is of paramount importance. There are a number of factors which indicate that this will be accomplished. My personal view is that the railroads have an opportunity to grow far beyond their present state.

GEORGE ALPERT
President, New York, New Haven & Hartford RR.

As we start the month of August, 1958, I believe the New Haven Railroad has seen the worst of the effects in its territory of the national recession. Although our losses have been relatively large we face the rest of 1958 and the future with the expectation of improvement.


George Alpert

The change in the national climate as evidenced by the passage of the Transportation Act of 1958, the favorable reception of our 3-point commuter program for increased fares, tax relief and subsidy payments with the concrete results already achieved, the mail pay award by the ICC on June 23, 1958 and finally the anticipated upturn in carloading promise a much brighter future for both the New Haven Railroad and the railroad industry in general.

Large scale consolidations of our facilities and increased efficiency through automation clearly indicate that when the expected upturn in revenues comes, the New Haven Railroad will be in a position to benefit substantially.

ARTHUR K. ATKINSON
President, Wabash Railroad Company

The railroad industry has found a new and more favorable climate this year as evidenced by the actions taken in Congress to repeal the 3% tax on freight transportation and the passage of the Transportation Act of 1958. By comparison with the dismal experience in the latter part of 1957 when the prospects for a good business year faded into a nation-wide business recession, we are now looking forward to a healthy recovery. For the railroad industry, the last half of 1958 may not in itself compare favorably with the same period in 1957, but there is a greater degree of optimism for the longer term. After experiencing drastic reductions in railroad traffic volume of from 20 to 30%, there is the feeling that we are at the bottom of the well and the only way out is up.


Arthur K. Atkinson

This year's favorable legislation affecting the transportation industry falls far short of being a cure-all. In fact, if the present Congress sees fit to enact certain proposed amendments to the Railroad Retirement and Unemployment Insurance Acts which would increase the benefits to railroad employees and raise the taxes applicable to the railroads, the net result would leave the railroads financially worse off.

The third annual seven cents hourly increase under most railroad labor contracts will become effective next Nov. 1, and this added burden will require drastic measures to be taken on the part of railroad management unless there is a substantial improvement in volume. Since the end of World War II, rail carriers have had an uphill fight. They have asked and waited for rate increases to cover rising costs of labor, materials and supplies, but revenues have never been able to keep pace with expenses. Meanwhile, competitors were gaining strength with the aid of facilities furnished at government expense and have been grabbing away at the railroad passenger and freight business.

As general business conditions gradually improve, the railroads must work to upgrade their equipment to reduce the bad order car situation. There should be some noticeable increase in equipment orders, and improvements to fixed properties will go forward where the expenditure of available funds will produce the greatest return in improved operational efficiency and reduced expenses.

The railroad industry must continue to strive for improved conditions in three areas. First, they must follow through on the effort to have the 10% excise tax on passenger fares repealed and the enactment of legislation to encourage capital improvement and expansion. Second, they must seek out ways to bring about a greater degree of competitive opportunity in the transportation industry. This depends on establishing a system of adequate user charges for facilities now furnished at government expense, more realistic and equitable tax assessments at state and local government levels, repeal of state statutes requiring full-crew operation and other make-work laws, and a fair allocation of the costs of grade separations and other highway projects on the basis of the real benefits to be derived by the affected parties. Third, the railroads must work for better management-union relationships leading to the elimination of outdated work rules and to the maximum effective use of manpower.

WARREN W. BROWN
President, Monon Railroad

I feel sure that business for the railroads is now on the upturn, and will continue in an upward trend for some time to come. I was very disappointed in what Congress did for the railroads, but the elimination of the three percent tax on freight shipments will help to return to the railroads many shipments now moving by private trucks.


Warren W. Brown

Repeal of the Full Crew Law in Indiana is another essential that I hope will be acted on favorably next year by Indiana's legislative body.

Railroads must have the right to compete for business. We cannot live under the present archaic rules much longer, and I do hope that Congress will enact legislation allowing all forms of transportation to be on an equal footing.

Passenger trains will continue to be dropped for the next several years. If the unions would work with management to establish a day's work for a day's pay, this trend might be discontinued and passenger trains would continue to run.

JOHN M. BUDD
President, Great Northern Railway

Railway management generally will agree, I believe, that the most encouraging development in transportation thus far in 1958 was passage by the Congress of some remedial legislation, and prospects for additional action in the future. President Eisenhower had not signed the Transportation Act of 1958 as this was being prepared, but confidence that he would do so was widespread in the industry.


John M. Budd

Although the legislation awaiting Presidential approval is helpful and appreciated, two by-products of Congressional attention to the infirmities of national transport are, in my opinion, of greater potential benefit to the country. The hearings on the condition of the transportation economy, initiated by Senator Smathers of Florida, smashed a big hole in the wall of public apathy toward the problems of the railways. A tidal wave of public opinion supporting our industry's insistence on fair and equal treatment by Federal and state governments was generated by the American press, and reflected in the record-making flood of requests on Senators and Congressmen for positive action.

That public transportation is costing the users and the government much more than it should now is understood by a greater segment of our citizenry than a year ago—thanks to Senator Smathers and his associates.

The second by-product of promising value to the country is the expressed intent of the United States Senate to dig deeper into the problems of public transport and government policies affecting it. I refer to Senate resolution 303, which authorizes further exploration of this vital subject.

While the hearings conducted by Senator Smathers' sub-committee developed much important information, the inquiry authorized by the resolution also will be searching, and productive of additional recommendations for corrective treatment by the Congress.

The study by qualified experts on transportation will relate to the many facets of the subject, none of which is more important to the railways than the question of adequate charges for the use of public-provided facilities by the commercial highway, water and air industries. It is within this area of inequity that railways are most seriously discriminated against, and government policy on it must be changed if the health of our industry is to regain its vigor.

Great Northern's shareowners were advised in May that the company's management expected 1958 operations would be concluded with a substantial net income and adequate working capital. Although the prospects for the remainder of the year continue to be uncertain, I am confident that earlier predictions will be fulfilled. Harvesting of good grain crops is underway in Great Northern territory. Movement of last year's grain, much of which was in storage, and some of the new crop, has stepped up in the past month.

Great Northern's earnings are lower than those of 1957, consistent, of course, with the decline in revenues. We have been conducting a smaller, though adequate program of improvements to fixed property and new equipment. The company's property is in excellent condition. We are benefiting from the long range program of improvements begun after World War II. Much of this system-wide upgrading of track and other facilities had been accomplished before the general decline in business set in.

Consideration continues on the proposed consolidation of the Great Northern, Northern Pacific, Chicago, Burlington & Quincy and the Spokane, Portland & Seattle Railways.

RUSSELL L. DEARMONT
President, Missouri Pacific Railroad Company

The economic stability of Missouri Pacific territory is demonstrated by the fact that for the first seven months of 1958 our carloadings are down only 5.9% . . . receipts from connections down 10.1% . . . or a total decrease of 7.8%, as compared with same period last year.


Russell L. Dearmont

When compared with national carloading figure which shows a decrease of 20%, it can readily be seen that the industrialization that has taken place in the Southwest in recent years, plus the favorable agricultural situation, which has always been a major factor in Missouri Pacific business, makes for a well-balanced economy.

While there are apparently some optimistic signs on the business horizon which would indicate that the bottom of the recession has been reached and the economy is slowly working its way up, I am not sufficiently encouraged at this time to expect that the improvement will be felt to any appreciable extent in Missouri Pacific territory this year.

Despite reduced gross revenues, increased expenses to restore washed out sections of the railroad in June and July, and the wage increase under existing contracts on November 1, which on an annual basis will amount to about $4,500,000, Missouri Pacific expects to end the year with a balance sufficent to cover all interest charges and its relatively large mandatory appropriations for capital expenditures and sinking funds.

We are particularly pleased with the innovations established to win passengers back to our railroad. The reduced rail and Pullman fares, introduction of tray meals for coach riders and our experiment with Thrift-T-Sleepers in our Colorado Eagle have met with fine public response.

While passenger train revenues are less than 9% of our gross, I have the strong feeling that a railroad without passenger service would soon lose public favor, interest and support. In my opinion, good passenger trains are a showcase that attract the public eye to a railroad. It has a favorable public relations and advertising value and Missouri Pacific intends to remain in the passenger business.

Currently the most encouraging sign in the railroad outlook is the growing realization on the part of the public that this vital transportation agency must be freed from antiquated and unnecessary government regulation and given an equal chance with its competitors to compete for business. The transportation legislation recently enacted by the Congress is a modest start on such a program. We can be hopeful that the next Congress will accomplish even more in this direction. That Congress realizes the need for further action is recognized by the adoption of Senate Resolution 303 authorizing the appointment of three transportation experts to study and report with recommendations for further action with respect to the important problems of the transportation industry not yet resolved.

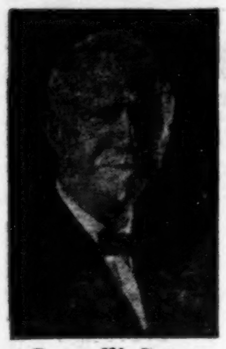
Continued on page 14

Best "Buys"

By ROGER W. BABSON

Pointers on alternative investment to stocks are given by Mr. Babson who advises investments be made where demand is bound to increase and supply cannot. Suggests, for example, waterfront property.

Most people think the best place to invest money is the stock market. This may or may not be a good place to get a quick profit; but the best investment for the long pull may be waterfront land in your own neighborhood.


Roger W. Babson

Speaking of the stock market, I am greatly impressed by the relative action of railroad stocks and automobile stocks *vs.* outboard motor stocks. For instance, the first mortgage 4% $1,000 bonds on the New York, New Haven, and Hartford RR. can be bought for about $450, or at a discount of over 50%. General Motors sells today just under the 45 of a year ago, while Chrysler sells near 50 today compared with 78 a year ago. The Ford Motor Co. has just reduced the dividend on its stock.

While declines have taken place in the stocks of companies whose product operates on wheels, a big advance has taken place in motorboat stocks. Outboard Marine, adjusted for stock splits has increased to a price of 25 from an equivalent 2¼ in 1953, a gain of 1,000%. This is because people are tired of using automobiles for pleasure driving, owing to crowded highways, lack of parking space, and increasing accidents. Families get more peace and quiet in a small outboard. In short, the automobile is becoming largely a business accessory; the glamour of driving is fading away. This is a fundamental reason for the decline in automobile sales.

Waterfront Real Estate

There will always be interior land to buy. As roads are extended, more land constantly comes onto the market. Interior land is like money; it depreciates just as the dollar does unless backed by increased population and industry. But, there is only so much waterfront property. There never was, and never will be, any more. This is another reason why waterfront land, where ever located, is probably the best investment for the long pull for both residences and industry. Cities and towns bordering oceans, lakes, or rivers will continue to grow and their waterfront property will continue to increase in value.

As an illustration of the increasing popularity of water, note the advertisements for backyard swimming pools which can be bought at department stores; Children at a very early age are being educated to love the water. This popularity has so spread that the Babson Institute has built probably the best swimming pool in New England, costing over $200,000, to satisfy the demand for water sports and to make sure that every student who graduates can swim like a fish.

Skiing and Other Sports

When I was a boy the only water sports were rowing a boat or swimming; but today these are "old hat." The outboard motor has taken the place of rowing; while skiing and underwater exploring have taken the place of playing on the beach or in the "old swimming hole," with which most readers are acquainted. This underwater exploring is a most fascinating sport which just recently started. Those engaged in it put long plastic fins on their feet, and either a can of oxygen on their back or a tube leading up to the surface. They discover marvelous new kinds of fish, crabs, and curiosities of all kinds, including the wrecks of vessels, some of which may contain pirate gold or silver.

The way to make money is to invest in corporations in some new industry of permanent value. When I was a boy, it was the railroads that held the glamour; later, water power and the development of electricity. Recently it has been the automobile; but the future will deal with the discovery of unknown wealth under lakes, rivers, and oceans. Thus far this has been done by haphazard dredging, but in the future it will be done by underwater diving.

Therefore, if you are buying property today, try to get some waterfront. If you own waterfront, do not sell it. To make money in any investment, buy into something for which the demand will increase and where the supply is more or less limited. The reason our dollars will gradually become of less value is because they can be printed in unlimited supply. The reverse is true of good waterfront property.

Henry J. Kieper With New York Hanseatic

Henry J. Kieper has become associated with New York Hanseatic Corp., 120 Broadway, New York City, in their municipal bond department. Mr. Kieper was formerly with the New York office of the Trust Company of Georgia and prior thereto was with the Municipal Bond Department of Chemical Corn Exchange Bank.

Forms Andrews Co.

WASHINGTON, D. C.—Henry Andrew Coveney is engaging in a securities business from offices at 927 15th Street, N. W., under the firm name of Andrews & Co.

Forms Dakota Income

DICKINSON, N. Dak.—Arthur B. Vandall has formed Dakota Income Distributors Co. with offices at 228 Ninth Street, West, to engage in a securities business. Mr. Vandall was formerly with Investors Diversified Services, Inc.

Forrest & Company Opens In Buffalo, N. Y.

BUFFALO, N. Y.—Robert W. Forrest and Carl E. Nagel have formed Forrest & Company with offices in the Liberty Bank Building to engage in a securities business. Mr. Forrest was formerly a partner in Forrest, Hammill & Co., with which Mr. Nagel was also associated for many years.

Continued from page 12

Railroad Leaders View The Industry's Outlook

HARRY A. DeBUTTS

President, Southern Railway System

The South is on the march again.

Business and industrial prospects are showing a reaction to the general rise in national confidence that the economic slowdown of the past year and a half has definitely been halted and that better times are ahead.

Harry A. DeButts

As reflected in carloadings on the Southern Railway System, it cannot yet be said that things are restored to normal. Business volume is still off from 1957, but before this year's end we confidently expect a rising trend in carloadings.

Our confidence is based upon the same indicators that are being relied upon nationally as indicating an end to the recession. Money is available for spending; people are regaining confidence; spending to satisfy a backlog of desires is beginning.

And the South is in position to satisfy its share of these desires.

During the time of recession, Southern Railway has continued to go ahead with improvements to its plant and in its operating methods. No foreseeable call for railroad service will find it unable to meet demands.

With the passage of the Transportation Act of 1958 (it was still awaiting signature by President Eisenhower as this is written) the railroads have been given a greater measure of freedom to compete for traffic in a businesslike way. And they have been relieved of a number of unfair handicaps that limited them in adapting railroad service, particularly in the passenger field, to the requirements of users.

It is expected that the Transportation Act of 1958 will do much toward reestablishing strength in the American railroad industry. But no one should consider the Act as a total answer legislatively to railroad needs. Much remains to be done before the country can be assured of a future in which railroads can be relied upon without question to meet all peacetime and any possible emergency wartime requirements for mass movements.

The study which Congress has authorized into these further areas requiring legislative action is certain to highlight some still-critical needs of our basic common carrier, the American railroad network.

JOS. DeSALVO

President, The Crowe Engineering Company

We now sell exceedingly little railroad equipment. For the past fifteen years or so practically all our output has gone to the steel industry, to whom we furnish custom made open hearth furnace burners and ingot mould cleaners.

Naturally our business has declined in sympathy with the decline in steel production. We do not attain what we consider satisfactory results until the steel making rate hits 80% and above and we have serious doubts that this rate will be reached this year. However, we would not be surprised if the Spring of 1959 sees us and the whole country bowling along at a merry pace.

In the meantime we are keeping in the black by a narrow margin and do expect to wind up the year with a small profit.

KEMPTON DUNN

President, American Brake Shoe Company

Any discussion of the effect of the rail supply portion of Brake Shoe's business on the company's outlook must be tempered by consideration of the fact that 62% of its sales are to non-railroad customers in such fields as machinery, construction and mining, steel, automotive, and airborne defense products. The outlook for Brake Shoe depends on the performance of the entire economy, although rail supply is still the largest single source of the company's sales.

Kempton Dunn

Railroad business accounted for 38% of sales in 1957, and this ratio has remained unchanged during the first half of 1958. All of the company's product lines have been affected by the recession, to approximately the same extent.

The major portion of Brake Shoe's railroad business is in replacement and maintenance products, parts which take wear and punishment. The railroads can defer the purchase of these items—wheels, bearings, brake shoes and trackwork—for a limited period. They have been doing this, and even "cannibalizing" some freight cars to keep others running. But eventually the roads reach a point at which they must order replacement and maintenance material. I believe this point has been reached, and I believe the railroads will soon order increased quantities of these products. Of course, Brake Shoe will benefit.

Fortunately, the railroads reach this "must spend" point at a time when Congress has passed legislation easing somewhat their intolerable financial and competitive position. The legislation which has resulted from the Smathers Committee recommendations is a step in the right direction; it gives the roads some relief, and it will make it possible for them to keep their plant and equipment in decent operating condition. It gives a temporary boost to the railroads and their suppliers.

But the legislation does not go far enough. It is primarily a stopgap, and does not insure that the railroads will have the long-range opportunity to compete with other forms of transportation on an equal footing. What is needed is an impartial reappraisal of the transportation needs of the country, leading to legislation that will give each branch of the industry a fair chance to do that part of the job it does best.

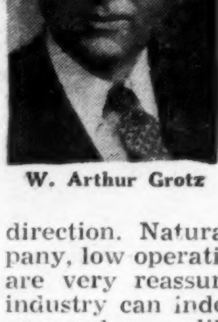
For the first time in recent history, it now seems that public sentiment favors such a reappraisal. Editorials in leading newspapers and magazines have called for action. Members of Congress received an unprecedented amount of mail favoring the Smathers Committee recommendations. The climate of public opinion seems to be right for making sense out of the nation's transportation system, and it is to be hoped that our lawmakers will continue the good work that has been started.

Until the railroads' problems have been solved, their suppliers can continue to expect the fluctuations in sales that characterize the business. It appears that an upswing is due soon. If public opinion and the force of logic lead to a prompt solution of our transportation problems, the upswing will lead to a promising future for the railroads and the industries that serve them. Before that future can become a reality, there is a great deal of work to be done.

W. ARTHUR GROTZ

President, Western Maryland Railway Company

What does one say when his company's gross revenues for the first six months of 1958 are off 22.35% and net income off 51.34% from a record breaking 1957?



W. Arthur Grotz

I could, of course, talk negatively about tightening belts and deferring major capital projects, as the Western Maryland has done in respect of rebuilding cars and of completing the yard expansion at Port Covington. I could in a positive vein mention the increased emphasis upon research and studies of all sorts, with respect to markets and competition, with respect to standardization and with respect to coordination. I could discuss plans and blueprints which are being prepared for future use and new ideas in transportation like containerization, special device cars, etc.

But, there is so much to be thankful for, even with lower earnings, that I shall point my remarks in that direction. Naturally, in the case of our particular company, low operating costs and a sound financial structure are very reassuring. From a broader standpoint, our industry can indeed be thankful for the morale of officers and men alike, despite the layoffs which unhappily have been necessitated by conditions. Devotion to duty and interest in better railroading has never been better. And, finally, we can be thankful for the constructive demonstration by this Congress of deep interest in the necessity of improving the competitive atmosphere within which the regulated railroad industry operates. Such relief as may be granted in this session together with the establishment of a Senate study group of experts in transportation are bound to be helpful.

F. S. HALES

President, Nickel Plate Road

Passage by the Congress of the Transportation Act of 1958 and repeal of the wartime 3 per cent tax on transportation of property have been heartening to the railroad industry. Especially gratifying is the fact that these measures received the overwhelming support of the members of Congress as well as the nation's newspapers, radio and television.

Felix S. Hales

Railroad shareholders, employees, shippers, suppliers and other friends of the industry were helpful in bringing the plight of the railroads to the attention of the members of Congress and the public generally.

The present recession, which has been particularly severe in the northeastern section of the country, was intensified for the railroads by their inability to meet fairly competition with other modes of transportation under existing laws, rules and regulations, both federal and state. The Transportation Act of 1958 will restore a measure of competitive equality to the railroads, and the repeal of the 3 per cent Federal Excise Tax on freight charges removes an inequality long-existing in favor of private carriers as compared with common carriers.

While the legislative program enacted by the Congress does not provide for all of the equality of treatment and opportunity that the railroads need, it does provide an important step in the right direction. In recognition of the need for further action, the Senate passed a resolution authorizing its Interstate and Foreign Commerce Committee to undertake a broad study of transportation policies, with particular attention to the railroads.

In the first six months of 1958, Nickel Plate revenue carloads of freight totaled 492,152, compared with 658,077 in the corresponding period of the preceding year. Operating revenues were $66,724,000, and net income was $3,157,000, or 77 cents per share compared with $1.72 for the same period in 1957.

We on the Nickel Plate are optimistic about the future and believe there will be an upturn in business in the months ahead. Nickel Plate's house is in order, both physically and financially, and it expects to secure its fair share of the available business.

D. B. JENKS

President, Chicago, Rock Island & Pacific Railroad Co.

Due to conditions in the territory served by the Rock Island, I feel rather optimistic about our condition for the rest of the year. The wheat crop has been good in the territory served by the Rock Island, and the prospects for other crops are very good. Farm prices are satisfactory. The result is that the territory served by the Rock Island is prosperous.

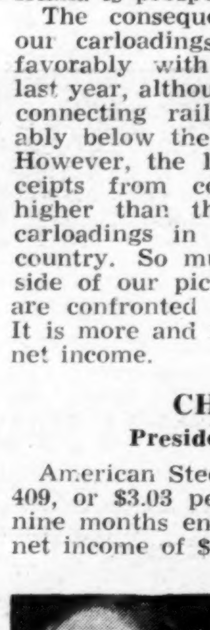
D. B. Jenks

The consequence has been that our carloadings currently compare favorably with the carloadings of last year, although our receipts from connecting railroads are considerably below the levels of last year. However, the level of railroad receipts from connections is much higher than the general level of carloadings in the balance of the country. So much for the revenue side of our picture. Of course, we are confronted with heavy wage and price increases. It is more and more difficult to make a good show of net income.

CHARLES C. JARCHOW

President, American Steel Foundries

American Steel Foundries had net income of $3,910,409, or $3.03 per share, on sales of $76,055,976 in the nine months ended June 30, 1958. This compares with net income of $6,133,273, or $4.76 per share, on sales of $92,191,279 in the same period last year. Earnings in the first quarter of the 1958 fiscal year were approximately the same as in the first quarter of the 1957 fiscal year; however the second quarter was down and there was a substantial drop in the third quarter. The decrease in sales was the result of a drastic reduction in the purchase of equipment by the railroads and the general decline in manufacturing activity throughout the country. The earnings decrease was attributable to the decline in sales volume coupled with continued increases in wages and fringe benefit costs.



Charles C. Jarchow

Backlog continued to drop, as expected, and amounted to $22,000,000 at June 30, 1958, as compared with $28,000,000 at March 31, 1958. Further reductions in the rate of operations will be necessary during the last fiscal quarter and earnings will be lower than in the quarter just ended.

For the entire railroad industry the backlog of freight cars on order and undelivered totaled more than 90,000 on July 1, 1957, but one year later there were only 27,757 on order and the building of a very large proportion of these has been indefinitely deferred because of general economic conditions.

Our national economy will continue to expand, as will the country's transportation needs. The railroads are the most efficient carrier of many commodities and will continue to play a prominent role in our transportation system. They must be able to compete with other forms of transportation. They must have relief from the restraining regulatory controls that have no regard for today's competitive and other conditions.

The legislation that has recently been passed by Congress does not contain all the necessary relief needed by them to get back on a sound economic basis, but it is a big step in the right direction. We believe this legislation will make it possible for the railroads to increase their purchases of needed equipment and to continue their programs of modernization and mechanization, which in turn, should benefit our company.

The public has a better understanding of their problems now, and it is hoped that continued interest in reversing the deteriorating trend in this important industry will result in an atmosphere that will permit the railroads to better compete with other forms of transportation.

Our diversification moves have provided a degree of stability that did not exist when the company was so dependent upon the volume of purchases by the railroads. Today about 60% of our business is with the railroads, as compared with 90% about 10 years ago, with no de-emphasis on railroad business but expansion into other fields.

The demand for precision roller chains and sprockets is not as great as in 1957 and our backlog for springs, forgings and machined products is not good; but there seems to be an indication of improvement in these areas. The hydraulic machinery, boring mill and pipe-coating product lines have maintained a fair backlog and we expect this business to improve steadily. The steel wheel business for the railroad industry is good

Continued on page 17

Fannie May's Yeoman Service

By HUGO STEINER

President, Hugo Steiner, Inc., New York City

Specialist in FHA-VA mortgage loans recapitulates Fannie May's successful sale of mortgages from its portfolio and commends this Agency's stabilizing influence in the national mortgage market.

In 1958, as of the week ended July 17, Fannie May has sold out of its portfolio 36,590 mortgages to private institutions and received payment of $426,979,000. The high volume week was recorded June 5, when 4,894 mortgages, totaling $55,347,000, changed hands. The latest weekly release for July 17 shows that 449 loans were paid for, a total of $5,305,000, pointing up a greatly reduced activity in Fannie May at the moment.

Hugo Steiner

Stabilizing Influence

The cumulative number of loans acquired by Fannie May in its secondary market operations, according to the latest release, totaled 164,641. The high point in dollars was reached early in 1958 when the money invested attained a peak figure of $1,860,974,000. This agency absorbed its greatest volume of mortgages in the first quarter of 1957. At that time 32,845 loans, totaling $387,760,000, were presented by originators. This highlighted the agency's stabilizing influence in the national mortgage market over an extended period when institutional funds were less receptive to government guaranteed mortgages. Its activity, during this period, lent strong support to the building industry, at times being the only pocket book available for government underwritten mortgages in certain areas of the country. However, since the beginning of 1958, 23% of its huge portfolio has moved into private institutions. A very substantial portion of this high percentage, in turn, was absorbed by New York City savings banks.

Fannie May, in acquiring these first mortgage loans (FHA Insured and VA Guaranteed) in a period of tight money and, conversely, disposing of them during a time of credit ease, has rendered yeoman service to the residential segment of the building industry and adequately performed its function as a balance wheel. It has supplied liquidity and stability in the United States mortgage market when other sources were temporarily inadequate. It continues to provide an invaluable assist to the country's economy at no cost to the taxpayer.

The writer himself has placed in recent weeks $5,000,000 of Fannie May mortgages, originated in the Southwest and Far West.

Yarnall, Biddle to Admit Valentine

PHILADELPHIA, Pa.—Yarnall, Biddle & Co., 1528 Walnut St., members of the New York and Philadelphia-Baltimore Stock Exchanges, on Sept. 1 will admit H. Stuart Valentine, Jr. to partnership.

Consolidated Natural Gas 4 3/8% Debentures Sold at 101.142%

An underwriting group headed jointly by Morgan Stanley & Co. and The First Boston Corp. and composed of 69 investment firms is offering for public sale today (Aug. 14) a new issue of $45,000,000 Consolidated Natural Gas Co. 4 3/8% debentures due 1983 at a price of 101.142% and accrued interest—a yield of 4.30% to maturity. The debentures were awarded to the group at competitive sale yesterday (Aug. 13) on its bid of 100.1599% which named the interest rate.

Consolidated Natural Gas owns all of the outstanding stock of six operating companies engaged in the natural gas business. The company proposes to use the net proceeds from the sale of the debentures to finance a part of its consolidated system construction program for 1958 which calls for expenditures of $65,000,000. The balance of funds required for the 1958 construction program will be supplied from treasury funds of the system.

A sinking fund for the debentures provides for annual retirements beginning in 1963 of $1,800,000 principal amount, and is calculated to retire 80% of the issue prior to maturity. The sinking fund redemption prices range from 101% to the principal amount during the last year. Optional redemption prices range from 105.52% prior to Aug. 1, 1959, and decreasing annually to the principal amount on or after Aug. 1, 1982.

The company's six subsidiaries constitute an inter-connected natural gas system engaged in all phases of the natural gas business. The principal cities served at retail are Cleveland, Akron and Youngstown. They also serve other cities in Ohio, Pennsylvania and West Virginia. Natural gas is also supplied in wholesale to non-affiliated utilities in New York, Pennsylvania and West Virginia.

For the 12 months ended June 30, 1958 the company reported total operating revenues of $296,245,000 and gross income before income deductions of $36,424,000. For the 1957 calendar year operating revenues were $280,484,000 and gross income $34,430,000.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks had their hardest one-day correction in nearly a month this week, as measured by the industrial average, but all it served to illustrate was the accepted fact that between 510 and 520 in the index is an area where supplies of stocks are plentiful and overhead sizable.

* * *

Since the senior average reached 521 in April, 1956, the area has been approached twice, once later in 1956 and again in July of last year. Each time the list was turned back without succeeding in penetrating the line.

* * *

There is always considerable discrepancy between what the "average" shows and what the individual components are doing at the same time. For instance, while the approach to the peak a year ago was technically a failure, nevertheless Bethlehem and U. S. Steel, Chrysler and General Motors, Texas Co. and Standard Oil of Jersey sold higher on the unsuccessful attempt than they had when the peak was posted.

Below-Peak Laggards

The chemicals, which were among the first major groups to start their earnings slide, were far under their prices posted in early 1956 in last year's bid for a new peak and are still lagging. And currently while a new bid for an all-time peak is considered in the making only seven of the 30 components in the industrial average are above their highs of either last July or April 1956 and for a couple the margin is a close one.

* * *

As was the case in previous changes in the margin requirement, the effects of last week's boost from 50 to 70% were shrugged off rather quickly. New highs were posted both before the action and again to start off this week and the pattern continued to be one of ascending highs, 510 on the first surge and 512 on the second. This, at least, held hopes high that inroads can be made farther into the overhead resistance before the run is over.

* * *

Tempering some of the stock enthusiasm was the fact that some tabulations of "average" yield showed a discrepancy in favor of high-grade bonds which is supposed to be among the traditional danger signs for the stock market. There is the possibility that the bond markets could bottom out and draw away from stocks a bit of speculative interest in a possible rebound. More important for the stock market, however, is the fact that the mutual funds are on their way toward compiling an uninterrupted string of monthly sales running $100 million or better and this money still finds its way in important quantities to the stock market as the generally cautious managements concentrate on issues of individual merit and watch the actions of the averages more or less as an aside.

Depressed Issues

There were plenty of depressed issues around, some already starting to indicate that the change in their fortunes has arrived. Sulphur's were one such group, Texas Gulf Sulphur sliding to a third of the price it posted in 1955 but lately hovering around its best price this year. The big competition here was the growing importance of Mexican producers both domestically and in foreign markets. The answer for Texas Gulf was to meet the competition pricewise, increase efficiency to cut costs and even, as Texas did, open up a Mexican sulphur deposit of its own.

* * *

The big problem still ahead of Texas Gulf Sulphur is to restore its former earning power. The financial position was maintained in part at the expense of a halved dividend late last year. For the future, the company's capital outlays are due to drop from last year's record level and a large write-off of offshore leases that affected last year's results won't be a factor this year. Any upturn in demand for the mineral would lead to hopes that the price trim to meet competition last year, first in nearly a score of years, would be at least partially restored with all the benefits that would add to the results for Texas Gulf.

Interest in the Airlines

There was considerable interest in the airlines which, so far in the boom, are the ones noted for "profitless prosperity." But a recent rate increase and possibilities of more relief have led many to the conclusion that their profit pinch is largely behind them now. Eastern Airlines, holding at a level of less than eight-times-earnings, with a yield on the cash payment of nearly 3%, in addition to which the company lards its declarations with stock payments, is considered undervalued for a line noted for not dipping into red ink in its history. It has tripled its revenue picture in a decade which is even better than the doubled revenues prevalent for other lines; nevertheless the stock has held in the lower half of its trading range for the last more than three years.

* * *

The depressed item in the oils is Atlantic Refining, for one. For the first half of the year it was able to report a profit less than a third of that a year ago, a good part of the pinch resulting from the decrease in allowable production. But there are signs that an upturn is possible and Texas allowable production was increased for last month as well as for this one. The indicated dividend for Atlantic at recent produces showed a yield approaching 5%.

Doubts About the Motors

Motor shares continued to be a big question mark, no indications available yet of how the new models will fare, with the reports up to now definitely bleak. A good bit of discussion centered on their ability to rebound, but other partisans looked to the heavy duty truck lines to make the better profit showing in the second half of this year regardless of how the Big Three fare. Construction work has been picking up, which is always an important prop for the heavy duty trucks, plus the added boost if a general upturn in the economy proves valid.

* * *

Mack Trucks, which has been making outstanding progress under a new management, did show a halving of profit per share for the first six months but the dividend was covered and projections are for a better showing in the final half. Its yield approaches 6%.

* * *

White Motor, the other important maker of heavy units, has been busily adding to its lines in recent years including, earlier this year, Diamond T. Motor Car, as well as general engine work. Its dividend is covered by even conservative earnings projections for the year, as it was for the first half, and has had a yield of slightly above 6% at recent market levels.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Three With Carolina

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C. — Louis M. Davis, Charles C. Elder, Jr. and Joseph R. Latham, Jr. have joined the staff of Carolina Securities Corp., Insurance Building.

Joins Continental Secs.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Alfred A. Nero has become connected with Continental Securities Corp., 611 North Broadway. He was formerly with Thill Securities Corp.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

Harry L. Zeeman, Jr.

We are pleased to report that Harry L. Zeeman, Jr. of Carl Marks & Co. Inc., New York City, has again favored us with a half page advertisement for his firm for our Year Book Convention Supplement of the "Financial Chronicle." We are all most appreciative of this fine support.

ALFRED TISCH, Chairman
National Advertising Committee
c/o Fitzgerald & Company
40 Wall St., New York 5, N. Y.

Alfred F. Tisch

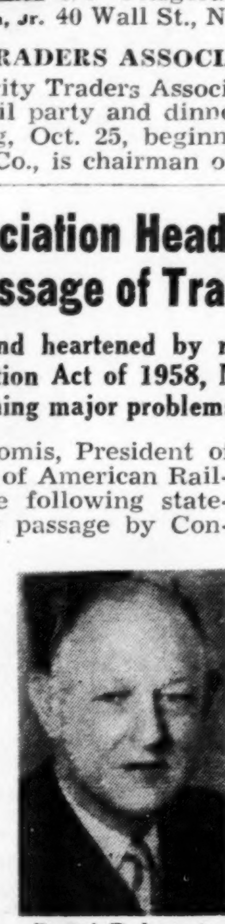
SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York will hold their annual cocktail party and dinner dance at the Hotel Pierre, Saturday evening, Oct. 25, beginning at 7 p.m. Frank J. Orlando, Goodbody & Co., is chairman of the arrangements committee.

Rail Association Head Favorably Views Passage of Transportation Act of 1958

Gratified and heartened by recent Congressional passage of Transportation Act of 1958, Mr. Loomis points out, nevertheless, remaining major problems still to be successfully resolved.

Daniel P. Loomis, President of the Association of American Railroads made the following statement regarding passage by Congress of the Transportation Act of 1958:



Daniel P. Loomis

"The railroad industry is gratified and heartened by the final action of Congress in passing the Transportation Act of 1958 and by the repeal of the Federal excise tax of 3% on freight charges. It is especially gratified that these measures received overwhelming support, not only in the Senate and House of Representatives, but also in the Nation's press and on the air and by the public generally.

"The Transportation Act of 1958 makes positive contributions to sound national transportation policy and to the relief of railroads from some of the competitive handicaps which are the fundamental cause of their present serious state of physical and financial health. These measures are welcomed by the railroad industry as a step in the right direction. At the same time, however, they are not—and should not be regarded—as the solution of all, or even the most serious, of the problems confronting our essential common carriers.

Further Action Needed

"The need for further action is recognized in a companion measure adopted as Senate Resolution 303, by which the Senate Committee on Interstate and Foreign Commerce is authorized to appoint three transportation experts to study and report, with recommendations for future action, on important problems of transportation policy not yet resolved. These subjects of inquiry defined in the resolution include the need for regulation of transportation under present-day conditions; the question of Government assistance to the various forms of transportation, and the desirability of a system of charges for the use of publicly provided facilities; the subject of the ownership of one form of transportation by another; and additional matters of Federal regulatory and promotional policy in regard to the various forms of transportation.

"Clearly, these are matters of great and far-reaching significance, especially to railroads. For the entirely self-supporting, taxpaying railroads still must compete with forms of transportation by highway, air and water whose costly fixed facilities continue to be provided, maintained and operated by Government out of funds supplied largely by taxpayers. And compounding this injustice, railroads still are forced to contribute in taxes to help support these facilities, while being denied the right to use them on an equal basis with their competitors.

"To those important problems of public policy still to be resolved must also be added continuance of the Federal excise tax of 10% on passenger service by railroads that last year operated at a record $725 million deficit; and inadequate and unrealistic depreciation allowances for railroad plant and equipment.

"Until the last of these major problems is resolved, railroads will continue their efforts in behalf of sound national transportation policy and fair and equal opportunity for all forms of transportation."

Kirchner, Ormsbee Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — James D. Kreidle has been added to the staff of Kirchner, Ormsbee & Wiesner, Inc., 818 Seventeenth Street.

Three With Shaiman

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John O. Carlson, Polito Martinez, Jr. and M. C. Pressel have become affiliated with Shaiman and Company, Boston Building.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Lois L. Hughes has joined the staff of Walston & Co., Inc., Mile High Center. Mrs. Hughes was formerly with Walter & Company and Amos Sudler & Co.

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Railroad Leaders View The Industry's Outlook

in both the United States and Canada and we are expanding our facilities.

Expenditures for property additions will exceed $12,000,000 in the fiscal year ending September 30, 1958. The principal items are two new steel wheel plants being built in the Kansas City area and in the Winnipeg area.

The company's financial position remains strong, which is important in the presently depressed economy. We believe the current business recession has now "bottomed out" and expect our sales volume to be better in the quarter ending December 31, 1958, than in the quarter ending September 30, 1958.

GEN. E. C. R. LASHER
President, North American Car Corporation

The general recession during the first half of the year did not have serious impact on the leased car industry in general or on our own company in particular. That segment of U. S. industry which comprises our steadiest customers, while not prosperous, did manage to pretty well hold its own. As a result, car leasers were able to maintain operations at a satisfactory level during the first six months and from this built-in springboard should move to even better results in the closing months of 1958.


Gen. E. C. R. Lasher

Economists generally are forecasting an upturn in business, which should be felt throughout the car leasing market. Movement of cattle is expected to increase substantially and, with it, the movement of packing house products, which represents considerable volume to car leasers.

Likewise, the long-range outlook for car leasing is, in my opinion, encouraging. With industry expanding and introducing new products, there will be an ever growing need for new and better ways of protecting these products in shipment. Furthermore, shippers generally have begun demanding increasingly specialized service. This, I feel, points to a continuing, healthy growth for car leasing, which has shown itself consistently ready and able to tailor its services to the shifting needs of industry.

W. A. JOHNSTON
President, Illinois Central Railroad

The Illinois Central Railroad, although adversely affected in common with most other industry by a low volume of business and increases in costs, expects to realize a net income for 1958 of about $14 million. It is anticipated that gross revenues in 1958 will be approximately $24 million less than in 1957. In 1957 gross revenues amounted to $290 million and it is estimated that they will total $266 million for 1958. The realization of a $14 million net income for the year will be the result of strict economies of every nature which it has been necessary to enforce.


Wayne A. Johnston

Net income for the Illinois Central in the first seven months of 1958 is estimated to be about $6 million, compared to $7½ million in the corresponding period of 1957. Revenues during this period decreased nearly $21 million and the decrease in the net of only $1½ million was the result of economies effected in operating and other expenses and charges.

The results in net income for the remaining five months of the year are expected to hold about even with the same period of last year. Some further decrease in revenues is anticipated but at a lesser rate of decline. The same rigid economies will be continued in effect, unless there should be a substantial increase in traffic volume and revenues. Some immediate benefits are expected from the repeal of the freight transportation tax and it is believed these benefits will greatly expand in time not only to the railroads but to the entire economy. Repeal of the unfair and burdensome passenger transportation tax of 10% is also urgently needed.

The legislation which has just been enacted when fully effective will be helpful, but much more is needed to place the railroads in a truly competitive position from which the public and the economy of the country has so much to gain.

The railroads still experience the tremendous handicaps of public subsidies to their competitors as well as those of unequal and oppressive regulations. The public has, at last, become very much aware of these situations as evidenced by the nationwide support given to changes in regulations adversely affecting the railroads. We on the Illinois Central believe that public self-interest as well as our own best interests lie in corrective measures

Continued on page 18

Belgium Arranges $60,000,000 Credit

In connection with the consolidation of certain short term external obligations, the Kingdom of Belgium is arranging with a group of American banks a three-year interim credit for $60,000,000.

Guaranty Trust Company of New York and J. P. Morgan & Co., Incorporated, are managers of the credit, in which the following institutions are also participating:

First National City Bank of New York, The Chase Manhattan Bank, Manufacturers Trust Co., Chemical Corn Exchange Bank, The Hanover Bank, Irving Trust Co., Belgian-American Banking Corp., Grace National Bank, Brown Brothers Harriman & Co., all of New York; Bank of America National Trust and Savings Association, San Francisco; The First National Bank of Chicago, Continental Illinois National Bank & Trust Co. of Chicago, The Northern Trust Co., Chicago; The Philadelphia National Bank, The First Pennsylvania Banking & Trust Co., Philadelphia; Girard Trust Corn Exchange Bank, Philadelphia; Provident Tradesmens Bank & Trust Co., Philadelphia; The National Shawmut Bank of Boston.

With F. E. Siemens
(Special to The Financial Chronicle)

PORTLAND, Ore. — C. Bruce Campbell, Charles Curnutt, Willard P. Fuller, Glenn H. Harris and Frank V. Siemens have joined the staff of F. E. Siemens & Associates, 584 Pittock Block.

B. W. Pizzini & Co. Will Admit to Firm

On Sept. 1 Russell Hartranft, Jr., will become a partner in B. W. Pizzini & Co., 25 Broad Street, New York City, members of the New York Stock Exchange.

Continued from page 17

Railroad Leaders View The Industry's Outlook

that have been enacted and others that should be adopted. It is hoped that at some future date the fixing of adequate user charges for use of public property for commercial transportation purposes will be adopted. Railroads need still greater freedom to price their services, and we hope Congress will see fit to take the further necessary action to bring this about.

The railroads, and any other form of transportation, should be given the right to diversify or integrate their services in order that they may provide a well rounded transportation service whether by rail, truck, air or water. Such a move would result in truly competitive transportation companies.

E. S. MARSH

President, The Atchison, Topeka and Santa Fe Railway Company

Gross operating revenues for the Santa Fe in the first six months of 1958 were about 9% below the corresponding period in 1957—a decline which reflected the depressed conditions in the general economy of the country. Net income for the System was 16% below that of the first six months of last year largely because of higher expenses occasioned by increased wage rates, costs of materials and taxes.

Ernest S. Marsh

Basically, conditions throughout Santa Fe territory are good. As a result of favorable conditions a bumper winter wheat crop has just been harvested and the agricultural and livestock outlook is bright. Industrial activity continues at a relatively good pace, and there appears to be a general feeling that there will be no further decline in the overall economic activity. We are beginning to notice some bright spots in our traffic pattern and have expectations that the last half of 1958 will present a more encouraging picture than did the first half.

The legislation recently enacted by Congress, known as the Transportation Act of 1958, should prove beneficial. It is the first recognition by Congress that the railroad industry is not a monopoly and that it must have equal opportunity to compete for business in a highly competitive field. While this legislation falls short of the full measure of relief required, it is a most encouraging step in the right direction.

ROBERT S. MACFARLANE

President, Northern Pacific Railway Company

Close control of operating expenses in the second quarter enabled Northern Pacific to finish the first half of 1958 in a relatively favorable position despite the adverse effect of the lower level of business on operating revenues. Specifically, the decrease in second quarter operating revenues, down $3,500,000 compared with the like period in 1957, was more than offset by a reduction of $4,800,000 in operating expenses. Largely as a result, net income for the period was equal to 86 cents per share of stock compared with 75 cents earned in the second quarter of 1957. In the first half of 1958, net income was equal to $1.13 per share compared with $1.48 for the first half of 1957.

Robert S. Macfarlane

As this is written on Aug. 1, I feel that Northern Pacific prospects for the last half of the year justify optimism. If the economists are correct in their predictions on business trends generally, we should experience a moderate upturn in manufactures and miscellaneous traffic in the fourth quarter. Prospects for increased traffic originating in our territory—Washington, Oregon, Idaho, Montana, North Dakota and Minnesota—are even more encouraging. With construction generally and home building in particular on the increase, our movement of forest products should rise around 4% above the last half of 1957.

Since Northern Pacific is a granger railroad, the extremely favorable crop outlook in NP territory points to a substantial addition to our traffic during the remainder of the year.

The cereal grain crop, always an important tonnage factor on our railroad, will equal and probably exceed 1957, which was an above average crop year.

Fruits and vegetables, fresh and processed, will nearly equal the heavy 1957 production despite a somewhat lower estimate at present on apples.

The livestock industry is in excellent condition, with feed plentiful and market prices for all classes substantially above a year ago. Cattle and sheep have been on the increase for several years.

While this year's sugar beet tonnage will be 6% to 8% below 1957, an increase of 20% to 25% in potato production is indicated.

Farm machinery sales have increased and Northwest farmers and farm communities are enjoying a moderate degree of prosperity. This augurs well for increased purchases of farm supplies, home appliances and furnishings and other consumer goods.

The Columbia Basin, the fabulous irrigation project in eastern Washington, 40% of which is served by NP, is becoming an increasingly important traffic producer as some 30,000 additional acres go into production annually and the newly established Basin farmers become better equipped to obtain maximum production.

Northern Pacific's non-rail income, principally from oil, real estate rentals and timber, will show a healthy increase for the year, but will be partially offset by a sharp drop in iron ore royalties, because of the decline in steel production.

With prospects of a slight upturn in operating revenues in the last half of the year, Northern Pacific plans to accelerate its capital improvement program, particularly on projects that will effect operating savings.

While our 1958 net will not match 1957, which equalled $4.25 per share, we should attain a very satisfactory earnings figure for the year.

PATRICK B. McGINNIS*

President, Boston & Maine Railroad

The acute problems of the railroads, in my opinion today, lies with the passenger-carrying commuting railroads in the East. That problem is acute because seven of those railroads, the Pennsylvania, New York Central, New Haven, Boston and Maine, Central of New Jersey, Lackawanna, and the Lehigh Valley, have operated at a deficit, with all the freight business and all the passenger business.

Patrick B. McGinnis

On those seven railroads in the eastern territory the problem is acute. That is where this God-awful spectre of bankruptcy is endangering the whole industry as it did in 1932 and 1933. And God forgive us if we ever get into Section 77, where the average railroad took 12 years to get out of bankruptcy, and the Missouri-Pacific 24 years. It only came out two years ago. But in any event, the services that cost us money are not within our control. They are not within the control of our managers. They are within the control of 48 different public service commissions throughout the United States.

We, as managers, have to price our product and our costs and our services not by what we managers want to do—we can only recommend. Then the decision comes down by the ICC in the case of prices, and by the labor board or the Presidential fact-finding board in the case of costs, and by the local commissions in the case of our heaviest deficit business, the passenger business. That is bad enough. But, the cardinal violation of business principles is that neither the ICC nor the fact-finding board nor the local commissions have any responsibility for the results.

So we as managers have the authority, subject to these three bodies, and the responsibility. But those three bodies create our costs to the extent of 55%, create the maintenance of our services and create the pricing. Therefore, as managers we are stifled, and when the responsibility comes down, management is holding the bag, because the decisions have been made by three government agencies.

When we attempt to determine our prices, we go before the ICC and present an argument. Generally speaking our shippers are opposed to it and so is the Post Office Department, the Department of Defense, the Department of Agriculture and almost everyone else. Yet, when we are before a Presidential fact-finding board, none of those interested parties is ever interested in our costs.

And when we go before the local commissions in the 48 states, none of those people—the Post Office, Agriculture or Defense or the various shipper's associations—are ever there to say, "Cut out those services. We are a friend of the railroads and we are going to oppose further increases in rates."

You cannot have good domestic economy without good railroads, and by good railroads I mean railroads with credit. A railroad in bankruptcy obviously holds down labor and services. A Federal judge is not going to pay any attention to local commissions any more than he did in the New Haven case, which I know all about. And he is not going to pay attention to a lot of other things any more than he does in industrial bankruptcy.

I have heard some observations made that we are not the only ones in a declining situation, a depression or a slump. The implication that was left on the record is that the other services suffered accordingly. They did not.

The waterways were up 9% last year in ton miles. They are running away with the ball.

The trucks, through October, were up about two-tenths of one percent.

The airlines carried more people than in any year of their history. They are in a little bit of a slump now, but they carried more people. The airlines have problems, but not because of lack of business, at least up to this point.

The Defense Department is apparently operating on the theory that we are going to have a two-hour war; that the hydrogen bomb will trigger the cobalt bomb.

Suppose we don't. Suppose we have another Korea. Suppose we have another ground war.

I had the honor of being in Washington during the war with the late Commissioner Eastman in the Office of Defense Transportation. Gentlemen, I saw it happen in 1942 and 1943. You lost every intercity truck and every tanker, but the railroads were there. We delivered all the gasoline and all the goods and all the troops that you needed carrying. But, the real forgotten veteran of World War II is the railroad. Every other veteran that I know of is well taken care of, and should be. The real casualty of World War II, the forgotten man, the forgotten veteran of World War II, is the United States railroad; forgotten by Defense, by Air, by Navy and the rest of them. But, give us another Korea and they will be right at our door.

*Extracts from Mr. McGinnis' testimony before the Smathers Sub-Committee hearings on railroad industry problems.

WILLIAM G. MILLER

President, Montreal Locomotive Works, Limited

William G. Miller

Our locomotive business for Canadian railways has been, and will continue, at substantial levels throughout the year. There has existed a slackening in industrial machinery and equipment; on the other hand, current activities in, for example, the steel and petroleum industries in Canada, indicate considerable business in the offing.

W. S. MORRIS

President, Alco Products, Incorporated

Principally because of a good backlog of orders for export, ALCO finds its locomotive operations in excellent condition at this mid-year period. All indications are that the company's present satisfactory level of shipments will be maintained for the remainder of this year and into the first quarter of 1959.

William S. Morris

We feel that these basically sound operations can't help but accrue to the benefit of the domestic railroads when they rebound from the current recession. With a resumption of volume traffic, the railroads will need to replace existing power and expand their pools of locomotives with both new and rebuilt units. At that time, they will find a locomotive industry completely ready to fill their needs. This is because the principal manufacturers have managed to maintain full operations through the recession by their success in competing with builders in all parts of the world for fleet-locomotive orders.

We at ALCO have faith in the railroads, and have demonstrated this many times over in recent years. In 1955, we introduced a completely new diesel engine to the industry, and we followed up a year later with an all-new line of locomotives. This action was climaxed last spring when the company completed the most modern locomotive-manufacturing plant in the world, costing more than $4,000,000, at our Schenectady plant.

We are sure that the railroads will continue as an important factor in the lifeblood of the nation, and are standing by to meet their requirements.

ROBERT H. MORSE, JR.

President, Fairbanks, Morse & Company

The major dollar volume of our business in the railroad field is through the sale of diesel locomotives. This portion of our business came to a standstill at the beginning of the recession, and all indications are that sales of this commodity will be spotty, at the best, for the remainder of the year.

Robert H. Morse, Jr.

Reasons for this are several and basic. First, the railroad business, and, therefore, our sales to the industry, is tied closely to the general economy. With carload shipments down, the railroads have locomotives standing idle and will not consider any expansion or replacement program until there is a definite and sustained upturn. Second, the so-called dieselization of the railroad industry is an accomplished fact. [illegible] some 18 years ago, more than 50,000 steam locomotives have been replaced by about 30,000 diesel locomotives. With few exceptions, the railroads have completed this program and our business will consist of replacing or the major overhauling of existing equipment.

The large scale sale of locomotives in the future will depend to a great extent on the development of a prime mover with higher thermal efficiency and a broader tolerance in fuel specifications. Fairbanks-Morse has such an engine in development, a super charged 2-cycle diesel which will use appreciably less fuel for the same amount of work.

When this engine is made available it will provide one of the necessary incentives for the railroads to consider a major replacement program.

For more than one-hundred years Fairbanks-Morse has been a supplier to the railroad industry of track scales and, more recently, a supplier of electric motors and

of pumps for every purpose. This will continue to be a good market for us.

Another appreciable market which is opening up is the sale of small diesel engines in the 10 to 30 horsepower range for use in mechanically refrigerated box cars.

Of the more than 120,000 refrigerated cars in the United States only 3,500 are cooled mechanically. With the rapid increase in the frozen food industry there is an increasing demand for the constant low temperature which can be achieved only through mechanical refrigeration. In the field of fresh produce, which is by far the greater portion of refrigerated rail traffic, the improved service available to shipper and consignee alike through mechanized refrigeration service already is evident and appreciated.

This means that the railroads, by replacing their present refrigerated rolling stock, can attract new customers, reduce loss damage claims, and increase their profit. We predict that this market will amount to from 50,000 to 60,000 cars in the next 15 years.

ALFRED E. PERLMAN

President, New York Central System

This year, I believe that we have seen a rediscovery of the essentiality of our railroad system—on the part of both the public generally and by Congress. The American public now realizes that without the basic, low cost mass transportation of the railroads, our present standard of living could not exist, and certainly that if there were no railroads, there would be no United States industry as we now know it. The public will not be satisfied until the whole job of giving this country an up-to-date, rational transportation policy — on federal, state and local levels—is finished.


Alfred Perlman

Congress should be congratulated for the recognition it has given this year to the critical need for such a modern transportation policy and the steps that it has taken to implement this new policy. The Smathers-Harris Bill is indeed a long stride forward on the road toward such a revision of our system of transport regulation.

It must be remembered, however, that even with the reforms embodied in the legislation just passed, the transportation policy of the United States remains basically obsolete and loaded with inequities. The railroads are still far from being on equal terms with other forms of transportation—either as to government regulation or government assistance.

The need for a strong common carrier transportation system becomes more and more pressing in view of the present critical situation in the Middle East. Therefore, the nation is looking forward to the fundamental, far-reaching reforms which will result from the broad study into the health of the transportation industry and its relations to the nation's economy and defense which has been ordered by the Senate. Much of a positive nature remains to be done if a prosperous and vigorous transport industry is to contribute toward an expanding national economy.

Finally, now that Congress has acted on the problems of the transportation industry in so praiseworthy a fashion, it is essential that similar attention be given to the problem by state legislatures and local communities. Some of the most important areas in which such action might be taken are: tax equalization with competitive forms of transportation, realistic regulation of fare, rate and service adjustments, and the revision of railroad labor requirements in the interests of efficiency.

Because of this recognition by Congress of the need for a strong common carrier system, the Central is reexamining this year's $150,000,000 physical improvement program it was forced to cancel, with a view toward reinstating a large portion of it for next year's budget. There are a few signs that we have reached the point of upturn in the recession. However, we believe that although the volume of freight traffic for the second half of 1958 will continue to be substantially less than that for the same period of 1957, it will be somewhat better than for the first half of 1958.

Cars handled by the New York Central during the first six months of 1958 were 22.2% under the corresponding 1957 period. A decrease of approximately 16.4% is anticipated for the last half of the year.

In railroad passenger travel, the continuation of the downtrend is expected, particularly as the result of the continued impact of the construction of new thruways and highways. Although mail volume is not expected to increase appreciably, revenues should show an increase as a result of the recent mail pay increases granted by the Interstate Commerce Commission. The trend in express traffic is expected to level out, and if the rate case which has been pending before the ICC for several months is decided, this might result in an improvement in revenues.

The Central's improved efficiency in railroad operations, resulting from our improvement program of 1955-57, its better performance with much less rolling stock, and its tight control over expenses should enable it to capitalize significantly on any increase in carloadings.

H. C. MURPHY

President, Burlington Lines

By the end of the first half this year the Chicago, Burlington & Quincy Railroad's business showed marked improvement over the earlier months, and prospects appear to be reasonably favorable for the remainder of 1958. Net income for the second quarter was more than $400,000 higher than in the comparable period of 1957. Crop prospects in Burlington territory are excellent, and depending on the strength of the anticipated upturn in the general economy this fall, the railroad could end 1958 with results close to last year's figures.


Harry C. Murphy

Harvesting of the bumper crop of winter wheat is well under way, and good crops of corn, sugar beets, potatoes and soybeans also are expected to purchase heavy carload traffic. Livestock loadings are likely to reach the 1957 level. Shipments of construction materials — lumber, sand, stone and gravel—are running ahead of last year. Trailer-on-flatcar volume is recording substantial gains.

The freight car supply generally has been ample to meet shippers' requirements. To satisfy the need for certain types of specialized equipment, the Burlington in June purchased 100 extra-large covered hoppers to carry malt and grain products, and 50 Airslide cars for bulk shipments of flour and sugar. Also, 100 more 40-foot steel boxcars, nearly all having damage-free loading devices, have been scheduled for acquisition early next year. These 250 cars are in addition to 2,165 previously ordered for 1958 delivery, including 1,500 boxcars on which deliveries were completed in July.

In other efforts to improve its freight service the Burlington has reduced westbound schedules from Chicago to California points by one day to offer fifth-morning delivery, and has completed its new automatic classification yard at Cicero, Ill., and an adjacent modern freight house for more efficient handling of less-than-carload merchandise.

Passenger traffic, down 9% in the first five months this year, has since picked up during the summer travel season and is likely to end the year only slightly lower than in 1957. The Vista-Dome Denver Zephyrs, introduced late in 1956, continue to attract a high level of patronage between Chicago, Denver and Colorado Springs. The Slumbercoaches have proved exceptionally popular, recording an occupancy rate of more than 75% since their inauguration.

The outlook for the entire railroad industry has brightened as a result of legislation passed in the current session of Congress, particularly the elimination of the 3% excise tax on freight. Public support for efforts to place the railroads on an equal basis with their competitors has been especially heartening. However, the industry remains over-regulated, over-taxed and overburdened with competition from other modes of transportation that enjoy a subsidy. Additionally, and very important, is the fact that our truck competitors enjoys a substantial rate-making advantage by reason of the exempt commodities provision of the Interstate Commerce Act which was but slightly amended by the recent action of Congress.

Another problem is the continued rise in labor costs despite reductions in the labor force. A 7-cent hourly pay increase becomes effective Nov. 1 under the three-year union contracts. However, we are hopeful that an increase in traffic in the last six months of 1958 will tend to offset this large addition to our expenses.

WILLIAM J. QUINN

President, Chicago, Milwaukee, St. Paul and Pacific Railroad Company

For the most part, the volume of traffic on The Milwaukee Road follows along with the trend of the general business picture throughout the country inasmuch as its traffic is fairly well diversified. Special conditions arise, however, which may affect one commodity group more than another. This has been true during the first half of 1958 when the movement of grain and other agricultural products was 1.0% more than the same period of 1957, while there was a decrease in all commodities other than products of agriculture of 12.2% in the same periods. Consequently, The Milwaukee Road suffered a decrease of only 7.4% in its railway operating revenues during the first half of 1958 as compared with 1957, while the decreases in other Districts and in the United States as a whole were as follows for the five months:


William J. Quinn

Eastern District (incl. Pocohontas Region)	19.8%
Southern District (excl. Pocohontas Region)	11.6%
Western District	9.4%
United States	14.4%

The declining phase of the current recession seems to be behind us and a leveling-off process now is under way. Indications point to a pick-up ahead—not sharp but gradual. Crop conditions in the area served by your railroad are excellent. Wheat is being harvested in Washington and Northern Idaho earlier than is usual and the winter wheat crop in Montana has just started. Harvesting is well along in South Dakota with better than average yields. Bumper crops of corn and soy beans are expected. Potatoes, onions and other vegetable crops are good. So, having the declining phase of the recession behind us, with products of agriculture moving to primary markets in volume, and with a gradual improvement in industrial activity in prospect, taking up some of the slack encountered in the first half, we are hopeful that the full year 1958 will not be too far off the year 1957, insofar as net income is concerned.

As evidence that The Milwaukee Road has faith in its own future and in the future of the economy of our nation, our company placed orders for 1,150 freight cars which cost $11,700,000 in March 1958, while business activity was still declining. These purchases were in addition to equipment purchases in the regular Improvement Budget for the year, amounting to $6,800,000. In

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Railroad Leaders View The Industry's Outlook

doing this, substantial reductions in prices were realized because the manufacturing plants had caught up with their orders, and the equipment will be available for the usual fall upturn in our carloadings. Two hundred seven box cars have been delivered already and are or soon will be in service.

The Milwaukee Road, as well as all other railroads, is heartened by the final action of Congress in passing the Transportation Act of 1958 and by the repeal of the Federal excise tax of 3% on freight charges. While there are many problems confronting the railroads which will not be met by this legislation, the awakened interest of the public generally in our problems will tend to aid in their solution. For this, we are grateful.

W. THOMAS RICE

President, Atlantic Coast Line Railroad Company

Toward the end of the second quarter of 1958, a more optimistic outlook prevailed in the railroad industry in the Southeast that freight traffic and passenger travel would reach levels at least equal to comparative 1957 levels. Bearing on the matter, however, is the same indeterminate situation which is present throughout most of the United States, for the trafficwise effect of the interventions in Lebanon and Jordan cannot be evaluated pending developments in the situation. That such developments could have a profound effect upon the economy of the Southeast, as well as the United States, is certain.


W. Thomas Rice

There is no assurance that a quick upsurge in the economy can be expected, although, aside from the Lebanon and Jordan interventions, there are signs indicating a recovery trend. June noted some improvement in residential construction and demand for consumer goods, and comparative levels of carloadings and passenger travel do not indicate the wide differences which prevailed during the first quarter and the greater part of the second quarter.

Although during the first half of the year, Coast Line, as well as other Southeastern railroads, experienced passenger and freight losses, they were not as severe as in some parts of the nation. Unusual weather conditions in Florida had much to do with these losses, and probably to as great an extent as conditions generally. Extremely cold weather and excessive rainfall considerably damaged Florida citrus and vegetable crops, with resultant greatly reduced freight movements and passenger travel. Some of the results of this weather are expected to be carried over into the next citrus season, for it is estimated that the coming citrus crop may be Florida's smallest in six years.

The same note of optimism is present from an industrial development standpoint, although here again the international situation may rapidly change the picture. If the slightly increased sales trend recently evidenced by a number of national firms is sustained, it is confidently expected that deferred and scaled down capital expenditure programs involving new industrial developments in the area served by Coast Line will be reactivated before the end of the year. A marked improvement is already in evidence at this time in the number of active industrial projects which have reached the survey stage and are expected to be progressed to conclusion within the last half of the year.

W. GORDON ROBERTSON

President, Bangor and Aroostook Railroad Company

The midyear finds the net income of the Bangor and Aroostook running 27% behind that of last year. Certainly this is no cause for celebration. On the other hand, we have the good fortune to find ourselves in a much more happy situation than that of most of our sister roads in the East.

No month has witnessed a deficit and there has been no need to defer any maintenance or curtail normal capital expenditures.

We do not attribute this to unusual talent in operating a railroad nor should we. It just so happens that the impact of declining business has been less severe in our case than in the case of many railroads.


W. G. Robertson

Traditionally, one-third of our freight revenue comes from carrying potatoes, one-third from paper and pulpwood and one-third from all other categories. Of the three, only the second declined materially in the first six months.

While we do not expect any great improvement in paper and pulpwood during the remainder of the year, the comparative rate of decline should grow less as the year goes on. The reason is the start of this decline in August of last year.

Thus it is possible to say that insofar as we can now see, our second six months should not be much unlike the last half of 1957.

To those who know the Bangor and Aroostook, it goes without saying that this is predicated on an average potato movement in the Fall. Right now the outlook for the potato crop is excellent. However, it does not necessarily follow that a high yield crop of first class quality means Fall loadings comparable with recent years. Loadings depend almost wholly on the market.

Since we have no way of forecasting the market, we can only assume past averages in our own tonnage forecasts.

In short—and granted this assumption—we feel free to say that 1958, while far from the best year in the history of the Company, will certainly be well above the worst.

As to the outlook for the railroad industry as a whole, I think it brighter than it has been for some years despite currently depressed earnings.

I have in mind, of course, the recent enactment of legislation designed to give the nation's railroads a more equitable status in relation to their competitors.

While I believe it falls substantially short of what is necessary to maintain a sound transportation system in this Country; it does at last recognize the fact that the industry is no longer a monopoly even though it has been operating under monopoly regulation.

This is most encouraging. And, in my opinion, the Senate's employment of a group of experts to study the nation's entire transportation system is even more so.

As matters now stand, our transportation system operates under legislation which was enacted piecemeal to meet situations created by new forms of transportation as they developed. As the Senate's Subcommittee on Surface Transportation has itself said, "the efficacy of present transportation regulation 'is open to' substantial doubt."

The Subcommittee has outlined a wide area for study. Included in it are many of the modifications in regulations and policies which the railroads have long sought and which were not included in this latest legislation. That they should be thus kept before Congress for possible future consideration is, to me, a good reason to hope for additional needed legislation in the days to come.

D. J. RUSSELL

President, Southern Pacific Company

Southern Pacific's long-term outlook for continued growth and diversified development has not been altered by 1958's national business downturn. We still have the deepest confidence in the continued expansion of the eight western and southwestern states we serve, and in our ability to improve and expand our services to keep pace.


Donald J. Russell

Evidence of our confidence has been a heavy 1958 program of adding to and upgrading our freight car fleet, as well as one to protect choice sites for future industrial growth along SP lines.

The Southern Pacific Transportation System has built or acquired 2,849 new freight cars, at a cost of about $35 million, in 1958. Particular attention has been paid to a variety of cars built for specialized freight hauling. This total includes the first 500 mechanical refrigerator cars of a 1,000-car, $21 million order, being built for Pacific Fruit Express, jointly owned by Southern Pacific and Union Pacific.

We are also continuing our investments in such improvements as Centralized Traffic Control, to keep boosting our operating efficiency.

As to present business, the national economic decline has naturally been reflected in our traffic and earnings. Freight carloads handled by the Southern Pacific System during the first half of 1958 were 9.9% fewer than in the similar period of 1957.

Net income for the first half was $25,803,136, or $2.85 per share. This represents a decrease of $1,356,548, or 15 cents per share, from the first half results last year.

The general business decline would have caused a greater drop in earnings, however, if Southern Pacific's large capital investment programs in recent years had not created greater diversity and efficiency of our transportation operations.

A gradual upturn in general business levels appears to be the outlook for the remainder of this year, according to the indicators on which we base our forecasts. Just how gradual that upturn will be, of, course, is the unanswered question, and until the trends are better established we can make no specific predictions as to how the year will end.

Our long-term outlook has been bolstered so far in 1958, however, by the strong and vocal public support given to the railroad industry's campaign to place our transportation laws on a fair and equal basis.

The Smathers-Harris transportation legislation recently passed by Congress takes some definite steps in the right direction, and its provisions should help the railroads—in fact, all common carriers—compete more fairly for business.

Some of the effects of this legislation will not be felt immediately, however, and it would be a mistake to believe that it is a cure-all for the railroads' regulatory problems. Similarly, the value to the carriers of repeal of the 3% excise tax on freight transportation should not be overemphasized because of the spotlight of national publicity. Carriers have merely been collecting that tax for the government; direct benefits from its repeal will accrue to freight shippers and their customers.

Helpful as all this 1958 legislation may become, it is just a start. The United States Senate has recognized this, in passing Senate Resolution 303, which calls for detailed investigations into other sections of transportation laws which require new legislation. Specifically, the resolution outlines, for study, such important subjects as removal of restrictions which keep transportation companies from diversifying into other forms of transportation; establishing a uniform Federal policy on government assistance to transportation, with particular reference to systems of adequate user charges for government-provided facilities; closer scrutiny of the need and character of regulation and exemptions from regulation; possible policy changes on mergers and consolidations, and determining methods of easing the burden of unnecessary passenger services.

We are hopeful that the great public interest in the changing needs of our transportation systems, as shown in the past few months as a result of the Smathers-Harris legislation, will help us, in the coming months, to follow up these studies with concrete and effective action.

STUART T. SAUNDERS

President, Norfolk & Western Railway Co.

The Norfolk and Western expects its traffic and earnings in the second half of 1958 to be better than for the first half. An upturn in business occurred in June, and the prospects are that 1958 will be a fairly good year for the company, although the record levels set in 1957 will not be reached.


Stuart T. Saunders

The coal industry, which provides the mainstay of the N&W's traffic, has felt the effects of the current recession perhaps even more than most business. N&W's coal traffic declined 30.9% in the first half under the same period of last year, principally because domestic consumers delayed placing new orders and relied, when possible, on existing stockpiles. Foreign purchasers likewise pared their orders.

While the outlook is that the demand for export coal will be about the same or somewhat less in the second half than it was in the first, the prospects are brighter for domestic coal consumption. Undoubtedly, the electric power industry will consume more coal in 1958 than in 1957. Moreover, it seems likely that the steel industry will operate at a higher rate of production the last six months of this year. With the heavy inroads which have already been made in coal stockpiles, coal purchases of the steel industry should be considerably greater during the last half of this year than they were in the first half.

Norfolk and Western is also hopeful that, with accelerated Government spending, particularly for the defense and highway programs, with depleted inventories, the spur of new automobile models, and the Government's easier money policy, we will see a gradual improvement in our general economy and a resulting increase in our merchandise traffic.

Increased efficiency and economy of operation have enabled the Norfolk and Western to offset to some degree the effect of lower traffic levels. Norfolk and Western is continuing its program for improving its plant and equipment. The company's Board recently authorized the acquisition of 268 new diesel-electric locomotive units at a cost of about $50 million. Delivery of these locomotives will begin in October and will continue at the rate of 16 per month. This acquisition will enable the company completely to dieselize its operations at present traffic levels and to increase further its operating efficiency.

JOHN W. SMITH

President, Seaboard Air Line Railroad Company

Preliminary indications are that the Southeast has not been affected by the current recession in as severe degree as some other sections of the country. If this proves true when final figures are in, we shall have witnessed a repetition of the conditions existing in the 1954 recession when the Southeast was better able to withstand the economic buffetings of that period than were some other areas.


John W. Smith

This resiliency is no surprise to those of us who have watched the dynamic growth that has occurred in the Southeast during the last two decades. The widespread development of industry throughout the area, coupled with advances in its agricultural activities, has greatly broadened the economic base of this region.

As was to be expected, the general downturn in business had the effect of slowing somewhat the expansion of industrial productive facilities and, as a consequence, some projects which were scheduled for the Southeast have been deferred. This deferment, however, is expected to be only temporary and when the economic weather turns more favorable there is sound reason to believe that these postponed projects will be reactivated.

My optimism for the future of the Southeast stems not only from the gains already made in this section, but also from the underlying factors which have been so

important in bringing this area to the forefront of the nation's economy. The combination of an ample and willing labor force, excellent transportation, abundant water supply, varied raw materials and a favorable business climate will continue in the future, as in the past, to make the Southeast an exceptionally attractive area for the establishment of new industrial and commercial enterprises.

Another bright spot in the regional picture is that of personal income. Continuing a trend of some years' standing, personal income in the Southeast is rising at a faster rate than for the nation as a whole. This increased purchasing power, along with a growing population, further enhances the region's standing as a market and serves as a stimulant to business generally.

Although the end of the recession cannot be predicted with certainty, I am confident that once the overall economy begins an upward turn, the Southeast will move forward again on a broad front to register new gains in all phases of its economy. As an integral part of the Southeast, the Seaboard will share in that growth and our plans are being shaped to that end.

H. E. SIMPSON

President, The Baltimore & Ohio Railroad Co.


H. E. Simpson

Considering the disturbances now existing in the traffic situation of the railroads, it is believed the most realistic outlook of the Baltimore and Ohio for the year 1958 would be that furnished the Interstate Commerce Commission in Ex Parte 212, which was about as follows:

Our gross earnings for the first six months were $187,378,295, and our net income for that period was $6,371,617.

The forecasted gross earnings for the year 1958 are $413,000,000, with net income of roundly $16,000,000.

We are sure you appreciate the difficulties of providing any more favorable comment at this time.

JAMES M. SYMES

President, The Pennsylvania Railroad Company

It was inevitable that a sharp recession in business would bring near-disaster to a railroad industry financially undernourished by years of stifling restrictions. That is just what has happened in the first half of 1958. It now appears that the shocking facts may have helped bring about a change in attitude that may prove a long-term gain.


James M. Symes

On the Pennsylvania, freight volume for the first six months of the year fell 22% below the same period of 1957. This drastic reduction in business, together with inflationary increases in costs—particularly wage costs—piled up a deficit of more than $25,000,000 for the first half, compared with net earnings of more than $12,000,000 in the corresponding period of last year. To meet the situation, our company has reduced employment, deferred maintenance, and made all possible economies to achieve a reduction in operating expenses of more than 14%.

In the light of these hard facts, it would be foolish to attempt to forecast results for the last six months other than to say they will depend on the timing and extent of a business upturn. It is probable that the Pennsylvania will end the year in the red for the second time in its 112-year history.

While the rate of business activity is the key factor, there are others. The Transportation Act of 1958—the first important legislation in many years economically helpful to the railroads—will assist in the long pull. Its various provisions, however, do not automatically give the railroads anything tangible; they simply provide a fairer set of ground rules and a better climate in which to operate. The new legislation indicates an awareness that the deteriorating condition of the railroad industry constitutes a danger to the whole economy and to national defense. This recognition and understanding can be a favorable factor indeed, especially if it leads to such results as a practical plan of government financing for new equipment, to public support for commutation services, and to more equitable state and local taxation of railroad properties.

Repeal of the 3% excise tax on freight transportation should prevent further erosion of the railroads' freight business by removing the artificial advantage of using private trucks to avoid the tax. Removal of the 10% tax on passenger fares should be effected at the next session of Congress.

More immediately helpful to the Pennsylvania will be the 30% increase in payments for handling the U. S. mail, scheduled to go in effect Sept. 1, and retroactive mail pay for the period since the increase was applied for in June, 1956.

Cost-of-living adjustments and increases granted under the labor contract signed two years ago will add about $26,000,000 to our wage costs on an annual basis. In addition, maintenance should be increased. If there should be a rapid increase in traffic volume caused by economic or defense needs, this country would experience the greatest freight car shortage that has yet

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Stock Exchange Operations Course At Northwestern

A special course in "Stock Exchange Operations" will be inaugurated in Chicago this Fall by the School of Business of Northwestern University, it has been announced by the New York Stock Exchange and the Investment Bankers Association of America.

The Exchange is planning to develop similar courses at other universities to help applicants meet educational requirements to become registered representatives. A registered representative is an employee of a Member Firm of the New York Stock Exchange who serve public customers. Besides meeting educational requirements, he must serve an apprenticeship of six months before he is authorized to represent his firm to the investment public.

The 12-week course at Northwestern will be sponsored by Exchange Member Firms and administered by the Central States Group, Investment Bankers Association. By successfully completing the course and another called "Investment Banking," which has been offered by Northwestern and IBA for a number of years, an applicant for the position of registered representative will be permited to waive the customary written examination required by the Exchange.

In New York, similar studies — both classrom and correspondence —are offered by the New York Institute of Finance.

The course in "Stock Exchange Operations" will begin on Oct. 30 and extend through Jan. 15. Classes will be held on Tuesdays and Thursdays from 3 to 5 p.m. in a Loop location not yet selected.

Developed by Professor Harold W. Torgerson, the course will be taught by Professor Loring C. Farwell. The course in "Investment Banking" is conducted by Professor Bion B. Howard.

Arrangements are under the supervision of the Education Committee of the Central States Group, Investment Bankers Association. Chairman of the committee is Robert Mason, Chicago underwriting representative of Merrill Lynch, Pierce, Fenner & Smith, Board of Trade Building, Chicago 4, Illinois.

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Railroad Leaders View The Industry's Outlook

existed. It could very well be the roadblock to maximum industrial output.

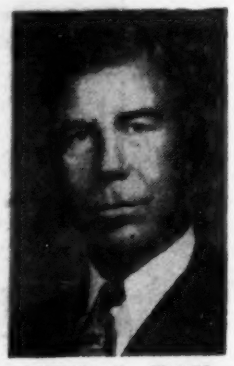
These are ominous aspects of the picture. On the other hand, a start has been made—only a start, but at least a start in the right direction—toward correcting fundamental ills that afflicted the railroads long before the current business recession came along. That is all to the good for the long pull.

For the short pull—for the rest of 1958—only an improvement in business will restore the balance.

CHARLES M. WHITE

Chairman, Republic Steel Corporation

Not only does our changing order position indicate that the steel industry has passed the bottom of the recent trough and is on its way to considerably improved levels of operation in the latter part of 1958, but we also have sound reasons for believing that this development is more than a flash in the pan.



Charles M. White

For many months we have watched steel consumers reduce their inventories even when their own activity was being maintained at reasonable levels. Now we are nearing the end of that period of inventory liquidation. Three strong factors which promise continued good steel operations are (1) this shift in inventory policy could result in as much as a million tons per month increase in steel shipments simply because inventories are not being liquidated. (2) The declines in some of the steel consuming industries appear to have been arrested, one of them being the very important construction business which is showing new signs of strength. (3) The seasonal pattern of the automotive industry should prove to be very stimulating in the fourth quarter. In addition, it is anticipated that 1959 will see a higher level of automotive production than 1958.

We are also beginning to see the first signs that the inflationary pressures generated by monetary and fiscal policy will take hold sufficiently to reverse the downward trend which has been evident for some time in the capital goods field. This is not easily nor quickly reversed but we believe that it will begin to be evident as a favorable factor during 1959. On this basis we are inclined to anticipate that total steel production in 1959 might exceed that of 1958 by as much as 20%.

In spite of this improvement in the industry's position we as a company are exerting constant effort to improve Republic's position. Our Orders Makers Institute program is one example of this type of effort. At the same time we are striving to improve our customer service and our quality, both essential to a successful marketing program.

WM. WHITE

President, The Delaware & Hudson Company

The problems of the railroad industry were pretty well aired at hearings before the Smathers Subcommittee early this year and well set forth in the report of that committee. That the industry has gotten into a precarious condition should surprise no one. We have been sounding the warning for a long time, but it fell on deaf ears. Now the ravages of inadequate earnings, outmoded regulation and subsidy to our competitors in the transportation field, all over a long period of years, show up quickly when business recedes.

William White

The American people have two choices—one is government ownership with all that it portends and which everyone will regret if it happens—the other is to give the railroads an even break.

The latter includes the removal of artificial restraints to equal competitive opportunity by imposing adequate user charges on our highway, waterway and airway competitors for the use of facilities provided with public moneys; the alternative is SUBSIDY FOR THE RAILROADS.

Also regulatory laws and procedures must be modernized and kept modernized at both the federal and state level. The railroads must cease to be fair game for the tax collectors. "Make work" legislation where it exists must be repealed. The commuter operation must be taken over by some sort of public authority because the railroads' shareowners cannot be expected any longer to provide public service at a loss.

The railroads must be relieved of paying taxes on facilities devoted to passenger service because like the commuter operation it is a public service performed at a loss. The many areas in which relief must be afforded at federal, state and municipal level are too numerous to detail, but the above are the fundamentals.

Railroad labor organizations must take a new look at working rules which impose unnecessary cost upon the users of railroad transportation or see their working membership continue to recede while our competitors take our business. The leaders of organized labor must sit down with management and make a statesmanlike effort to modernize working rules.

Congress must cease imposing on the railroads the burden of constantly increasing retirement and unemployment benefits for railroad workers that are now far in excess of those enjoyed by workers in other industries, including our competitors in transportation.

What we are observing in this country now is what happened to the British railways which became nationalized in 1947 and which the British, including railroad workers in Britain, do not like. We either stem the tide in this country or we go the way of British railways. It isn't too late, but it is getting awfully late.

F. B. WHITMAN

President, The Western Pacific Railroad Company

While business has suffered in the Far West during the recession which now appears to be drawing to a close, apparently the effects of the recession have not been felt as severely on the West Coast as in other parts of the country. While our July results have been somewhat below our expectations, we are confidently looking for improved traffic during August and for the balance of the year.

F. B. Whitman

The action of Congress in abolishing the 3% tax on freight transportation should be of help to industry as a whole and particularly to our shippers in Washington, Oregon and California because the impact of the 3% levy on freight bills has been somewhat more severe here on the freight bills of long-haul shippers as compared with those moving their traffic for shorter distances. We expect that this in itself will give quite a lift to West Coast business inasmuch as it will result in a saving to many shippers and give them a more advantageous opportunity to adjust prices.

On the Western Pacific while we anticipate that our gross sales will be less than last year, our estimates indicate that the decrease as compared with 1957 will be less in the last half than in the first six months. There is every indication from many sources that we have reached the bottom of the saucer and in our thinking we do not feel that it will be too long before we start up the other side.

J. B. WILLIAMS

President, Railway Maintenance Corporation

We have just completed the best second quarter in our 31-year history and look forward to a continuing high level of sales for the balance of the year.

A pioneer maker of mechanized railroad track maintenance equipment, we now have 11 types of machines in production, with additional units under development.

Although most railroads have reduced expenditures for new equipment, our firm has been fortunate in recently introducing a series of new machines for which railroads have specific needs, and on which capital expenditures can be amortized very quickly.

We expect this factor will keep results at a good level at least through this year and in 1959.

Managements of American railroads are increasingly becoming aware of the dramatic cost savings which can be gained through mechanized track maintenance. Use of "gangs" of machines has increased remarkably in the past two years, and their use is likely to continue to grow. There also seems to be a trend toward extending the length of maintenance sections, which also requires use of more machinery.

These factors are certain to be of importance to the railway supply industry generally. In addition, many new machines are under development for doing new types of maintenance work to the advantage of the railroads.

New Rail Legislation Summarized

Recently passed "Transportation Act of 1958" is summarized and commented upon in a brief statement by Association of American Railroads. Speaking for the industry, the trade group is certain Congress is more aware than ever of the need for further action to right existing imbalances caused by clashing government transportation policies.

Action on transportation legislation, climaxed two weeks ago by passage of the "Transportation Act of 1958," forms one of the outstanding achievements of the 85th Congress, according to the Association of American Railroads. The significance to carriers and the public, the Association reports, lies as much in Congress' preparations for future action as in that already taken.

The railroad group states that, "responding to clear signs of trouble in transportation, and especially among the nation's railroads, Congressional leaders have topped off seven months of grinding work with this three-part legislative package:

Three-Part Legislation

"(1) Repeal of the wartime 3% freight excise tax, saving shippers a half-billion dollars annually and wiping out a major inducement for businesses to turn from using for-hire carriers to establishing their own private truck and barge fleets.

"(2) Approval of the six-point Transportation Act of 1958 by both Senate and House after lengthy hearings and conference work, providing some immediate aid for carriers in financial distress and starting public policies moving toward equal treatment for all forms of transportation.

"(3) Adoption of Senate Resolution 303, setting up a comprehensive study of transportation problems and contemplating recommendations during the next Congress for legislative action on the big underlying causes of transportation trouble.

"The public interest in these Washington moves was obvious from the first announcement of the hearings on the subject. Sound transportation service by railroads and other carriers is indispensable to economic activity and to national defense.

"The need to 'strengthen and improve the national transportation system' was highlighted by the Surface Transportation Subcommittee of the Senate Interstate and Foreign Commerce Committee, under Senator George A. Smathers of Florida, and by the Transportation and Communications Subcommittee of the House Interstate and Foreign Commerce Committee, headed up by Representative Oren Harris of Arkansas.

"Testimony developed in hearings before both subcommittees revealed that the business recession, coupled with long-standing inequities in the government's regulation, taxation and subsidization of various forms of transportation, had darkened the economic plight in which common carriers in general and railroads in particular found themselves.

"With this knowledge to guide them, members of the two congressional subcommittees designed measures to give immediate relief in acute areas and to begin long-range studies in others. The resulting Transportation Act of 1958 covers these specific areas:

Summary of Transportation Act

"(1) Directs the Interstate Commerce Commission to permit the various modes of transportation greater freedom in making rates to meet their competition. This provision stipulates that the I.C.C., in deciding whether a rate is lower than a reasonable minimum, 'shall consider the facts and circumstances attending the movement of the traffic by the carrier or carriers to which the rate is applicable,' and shall not hold rates up to a particular level 'to protect the traffic of any other mode of transportation, giving due consideration to the objectives of the national transportation policy declared in this Act.'

"(2) Provides that the I.C.C. expedite its handling of railroad petitions involving intrastate rates, recognizing, in addition, that rates on traffic within states must not be so low as to prove an 'undue burden' on interstate commerce.

"(3) Limits the scope and application of the agricultural commodities clause under which transportation by motor vehicle of certain commodities is exempt from economic regulation under the Interstate Commerce Act.

"(4) Brings under regulation motor haulers which in the past have escaped regulation by posing as private carriers while actually selling for-hire transportation services.

"(5) Gives the I.C.C. jurisdiction, in certain cases, over discontinuance of the operations or services of heavily losing trains that burden interstate commerce.

"(6) Extends authority to the I.C.C. to guarantee private loans to railroads up to a ceiling of $500 million for capital improvements, equipment purchases and maintenance purposes.

"Passage of the Transportation Act of 1958, according to Daniel P. Loomis, president of the Association of American Railroads, 'makes positive contributions to sound national transportation policy and to relieving railroads of some of the competitive handicaps which are the fundamental cause of their present serious state of physical and financial health.'

"However, he added, the urgency for further congressional action is emphasized by the adoption of Senate Resolution 303, which authorizes the Senate Interstate and Foreign Commerce Committee to study and report on other important phases of transportation policy yet to be resolved.

Senate Resolution 303

"The resolution, which points out that a 'sound national transportation system is essential to the continued economic development and defense of the United States' and that 'fair and equitable federal policies are necessary' to assure such a system, calls for the study of the following points:

"(1) The need for regulation of transportation under present-day conditions and, if there is need for regulation, the type and character of that regulation;

"(2) The area of federal policy dealing with government assistance provided the various forms of transportation and the desirability of a system of user charges to be assessed against those using such facilities;

"(3) The subject of ownership of one form of transportation by another;

"(4) Federal policy on the subject of consolidations and mergers in the transportation industry;

"(5) Policy considerations for the kind and amount of railroad passenger service necessary to serve the public and provide for the national defense;

"(6) The problems arising from action by the Interstate Commerce Commission in permitting the charge of more for a short than a long transportation haul over the same line in the same direction; and

"(7) Additional matters of federal regulation (and exemption

therefrom) and federal promotional policy in regard to various forms of transportation."

Mr. Loomis said that the areas to be studied under the resolution are clearly matters of great and far-reaching significance, especially to railroads. As entirely self-supporting, tax-paying carriers, he continued, the railroads still must compete with other forms of transportation whose costly fixed facilities continue to be provided, maintained and operated by government out of funds supplied largely by taxpayers.

"'To these important problems of public policy still to be resolved must also be added continuance of the 10% federal excise tax on railroad passenger service, and inadequate and unrealistic depreciation allowances for railroad plant and equipment,' Mr. Loomis pointed out.

"The transportation legislation passed by this session of the Congress stems from the announcement last November 22 by Senator Warren G. Magnuson, Chairman of the Senate Interstate and Foreign Commerce Committee, that the Surface Transportation Subcommittee would hold hearings to look into the 'deteriorating railroad situation and its effect on the national transportation picture.'

"The Senate hearings opened on January 13 and continued for more than 11 weeks. During that time 103 witnesses were heard, including representatives of railroads, motor, air and water carriers, state regulatory agencies, the Interstate Commerce Commission, the Department of Defense, Commerce and Agriculture, shippers, agricultural groups and labor organizations, economists, analysts and others. Similar hearings were held in the House.

"As a result of the hearings, omnibus bills were introduced in both Houses containing a series of amendments to the Interstate Commerce Act, and these led to the final Transportation Act of 1958.

"To what extent hearings will be held in carrying out the studies to be made under S. Res. 303 remains to be determined. But one thing is certain. The Congress is more aware than ever of the effect clashing government transportation policies have on the various carriers and recognizes the need for further action to right the grave imbalances still existing."

Boston Bank Advises Congress to Go Slow on Social Security Benefits

First National Bank of Boston offers what it considers compelling reasons favoring caution and delay in current Congressional efforts to further liberalize Social Security benefits. Refers to greater need to tackle problem of controlling inflation; cites official findings that the shrinking O. A. S. I. fund has "an estimated actuarial insufficiency computed into perpetuity of 0.57% of payroll"; and calls attention to research studies that will not be available until early 1959.

The August issue of the "New England Letter," a monthly publication of The First National Bank of Boston, advises Congress not to act hastily in increasing O. A. S. I. benefits in raising the question, how secure is Social Security. The "Letter" states:

"News that further liberalizing of Social Security benefits may be voted despite reported Administration opposition and of another new high in June for the consumer price index recently appeared on the same day. The House Ways and Means Committee has agreed upon a 7% increase in benefits under Old-Age and Survivors Insurance, to be accompanied by a higher wage base and accelerated tax increases. This follows the pattern of tinkering to broaden coverage and liberalize benefits which has occurred in each election year starting with 1950.

"The consumer price index has risen each month except three since March, 1956. It has more than doubled since the Social Security program was instituted, giving the 1935-1939 dollar a purchasing power of around 48 cents. While that may seem a prime argument for increasing benefits, it would only add fuel to the upward spiral. There can be no satisfactory security unless the dollar has stable purchasing power. Thus, the inflationary implications in our 'full employment' commitment seem at variance with this program.

Trust Funds Decline

"No doubt larger checks would be good news to upwards of 11.8 million persons who were receiving monthly benefits in May, 1958. But what of the 74 million workers and the more than 5 million employers whose payroll taxes must meet the growing burden? Already, benefits have far outstripped early plans, and trust fund reserves decreased in calendar 1957 and in fiscal 1958 for the first time. Furthermore, the latest estimates prepared by the fund's trustees foresee further shrinkage ahead. At a time of serious budget deficits and rising debt, this further complicates Federal fiscal operations. Legislators would do well not to act hastily in these closing hours of Congress, but to concern themselves more with the basic problem of controlling inflation, as serious an emergency as war, and less with the relatively fortunate group now enjoying benefits.

"From modest beginnings as depression legislation in 1935, which aimed to provide a minimum floor of basic protection, constant program change has 'complicated the complex.' Now there are few workers not covered. There has been a steady and rapid growth in the number of persons reporting taxable wages. The expansion in the number of beneficiaries in current - payment status at the close of each year has doubled since 1952. Since one American in 10 will be 65 or over in 1975—an increase of nearly 6 million over the present — the future course is clear.

"The financial record is quite revealing. The growth of the trust fund from which benefits are paid to $23 billion in mid-1957 is impressive until one realizes that it is substantially below the forecast of 1935, both in total and relative to projected benefits. Furthermore, it is less than three times present annual benefit payments, lowest on record, and compares with a recommended ratio of four to one. The charted trend of tax receipts and benefit payments shows that the two lines crossed in calendar 1957.

Increasing Contributions

"What has been the effect over the years on a typical employee such as the average production worker in manufacturing? . . . From 1937 through World War II, the annual cost was a nominal amount ranging from $1 to $2 per month. Now it has risen to nearly $8 per month. From 1937 to 1943, the factory worker with three dependents would have paid no Federal income tax. Now the levy would be nearly $300, assuming a standard deduction. And Social Security tax payments must be included in taxable income. Although average weekly wages have risen steadily, so has the burden. Whereas the 1937 tax would have required slightly more than 20 hours of work at the prevailing average wage, in 1957 the requirement would have been nearly 46 hours. To be sure, larger contributions would be expected to purchase somewhat greater potential benefits, but the proof of this promise, especially for the younger worker, lies in the dim and cloudy future.

"We should stop calling this program 'insurance,' as this term is generally understood. There is no contract to which a beneficiary may look for 'performance.' Its obligations are not funded, and the Secretary of Health, Education, and Welfare recently stated that the trust fund has 'an estimated actuarial insufficiency computed into perpetuity of 0.57% of payroll.'

"The Old - Age and Survivors Insurance trust fund is by law invested only in United States Government securities. The more than $22 billion accumulated since 1937, when needed, will have to be provided by the Treasury, which has only two sources—taxes or borrowing. Contrast this with the record of United States life insurance companies which increased ordinary and industrial policies in force by over $180 billion from 1937-1956. They added $70 billion to their assets. Of this amount, more than $34 billion was invested in securities of business and industry, and more than $28 billion in mortgages and real estate. It is plain which procedure offers the most promise of repayment through stimulating investment and production in the tradition of a free economy.

Aids Inflation

"To continue to liberalize benefits and increase taxes will help to perpetuate the loose fiscal and financial policies which have contributed to our inflationary trend. Now is the time for the millions of beneficiaries and taxpayers to look more carefully at the latest proposals in the light of the past record. They will find compelling reasons to favor caution and delay. Official studies of financing the program now under way will be available early in 1959. Private research groups are also at work to learn more about private and public pensions and their influence on our economy. Beneficiaries, particularly prospective, should realize that, without consistent and successful government action to combat inflation and prevent the persistent and progressive rise in the price level, the goal of 'security' may well prove a will-o'-the-wisp."

Harry Casper Joins Eppler, Guerin, Turner

DALLAS, Tex.—John W. Turner, President of Eppler, Guerin & Turner, Inc., members of the New York Stock Exchange, announced the association of Harry Casper as a registered representative of the investment banking firm's Dallas office, Fidelity Union Life Building.

Mr. Casper has been associated in the investment banking industry in the Dallas area since 1953. Prior to that, Mr. Casper was the owner of Atlas Manufacturing Co.

Ball, Burge Partners

CLEVELAND, Ohio — Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges, on Sept. 1 will admit William H. Evans and Edward P. Cawley to limited partnership.

Frank J. Coughlin

Frank J. Coughlin, member of the Chicago Board of Trade and a partner in Rodman & Renshaw, Chicago, passed away July 24.

Railroad Securities

The railroads had some degree of success during the present session of Congress in obtaining some remedial legislation. However, this does not mean that their troubles are over, particularly for those serving the Eastern section of the country.

The possibility of bankruptcy still faces some of the carriers. This factor had much to do in obtaining the recently enacted Transportation Act of 1958.

The slight improvement in traffic and improved general business conditions have tended to ease somewhat the misgivings expressed in some quarters earlier in the year. However, the situation has not been fully cured at the present time.

The new rail legislation authorizes government guarantees of 15-year commercial loans of up to $500,000,000 to the industry for new capital investments, equipment and maintenance. The new Act also makes it easier for the carriers to discontinue unusually costly trains and services and generally recognizes that the railroads no longer have a transportation monopoly.

While encouraged to some extent, many rail men cannot forget the dangers confronting some carriers, particularly in view of the first half year earnings statement of the commuter lines, mainly in the East. Twenty of the 37 big Eastern systems went more than $86,000,000 into the red in the six months ended June 30. Pennsylvania Railroad, the largest in the industry, showed a deficit of more than $25,000,000 during this period and it is officially estimated that July will show a deficit of between $4,000,000 and $5,000,000. The New York Central, second to the Pennsylvania, also lost more than $25,000,000 for the first half and July will also be deficit ridden.

The Central Railroad of New Jersey, much smaller than the other two, but an important commuter road, reported a deficit of $1,874,000, the largest since it emerged from bankruptcy in 1949. In addition, it is reported the road has an accumulation of deferred maintenance. The New Haven showed a loss of $4,900,000 in the first half and is expected to report a deficit of $1,000,000 for July. Its cash position has deteriorated considerably. The Boston & Maine also operated at a deficit of $3,453,000 and is faced with a bond maturity amounting to $17,000,000 in 15 months.

In contrast to the Eastern carriers, those in other sections of the country are faring much better, due in large part to the heavy movement of grain. Also, many of these roads have costs under better control and have the physical property in good condition. One proposal now under consideration which has all of the rails worried is the bill which would increase their share of railroad retirement and pension payments. This would place a heavy burden on some of the roads whose cash position has declined rather sharply in the past year.

Higher mail pay and retroactive mail payments should be of some help. Also, the elimination of the excise tax on freight shipments is hoped to bring some traffic back to the rails which had been moving by private truckers.

Some of the rails in New York State have received tax relief from municipalities, but not those serving New Jersey. This has lifted some burden from the commuter lines.

With respect to government guaranteed loans, one rail official recently stated he doubted that any of the roads needing the funds could qualify. However, this will be up to the judgment of the Interstate Commerce Commission.

Faricy to Receive Transportation Award

Recognized leader in transportation field is to be cited for his emphasis upon defense in his leadership in the Association of American Railroads.

William T. Faricy, former President and Chairman of the Board of Directors of the Association of American Railroads, has been selected to receive the 1957 National Defense Transportation Association Award as "the person whose achievements have contributed most to the effectiveness of the transportation industry in support of national security."

William T. Faricy

Formal presentation of the Ninth Annual Award will be made at the National Defense Transportation Association's Annual Dinner to be held at the Sheraton-Jefferson Hotel in St. Louis, Missouri on November 12, 1958.

The National Defense Transportation Association is a military-civilian group of transportation leaders whose annual Award was established in the interest of promoting transportation preparedness and fostering a keener realization of military transportation requirements. The Joint Transportation Committee of the Joint Chiefs of Staff selects the annual winner of the Award.

This year's Award winner, Mr. Faricy, or many years has been recognized as a leader in the field of transportation, with special reference to national defense. During his career he has served as chief executive officer of the Association of American Railroads, 1947-1957; as first and organizing Chairman of the Civilian Components Policy Board of the Department of Defense, 1949-1950; as President of the Defense Orientation Conference Association, 1955-1956; and as Chairman of the U. S. National Commission in the Pan American Railway Congress Association, 1950 to date.

Major Contribution

Mr. Faricy's major contribution to the strengthening of transportation for defense has been in his leadership in the Association of American Railroads, the unifying and standardizing operating agency of the railroad industry. In this capacity, he was influential in ensuring the procurement of essential equipment to enable the railroads to meet both ordinary commercial needs and the demands of the national defense program.

His cooperation, both individually and through assignment of A.A.R. officials, with the defense authorities, with the Interstate Commerce Commission and with Federal Civil Defense Administration in the development of their plans for transportation in the event of enemy activity, has merited for him many Defense citations.

Continued from page 3

Southern Industrial Growth And the Textile Industry

rewards are high, as competent authorities have computed that the return on the industrial research dollar is 1,200%.

The textile industry, as a whole, is in the strongest position in its entire history. The productivity per man-hour of the industry has risen at the rate of 3.6% per year since World War II, which compares favorably with the average for all industry. Today's equipment is vastly more productive than in the past, so that while we have been discarding 930,000 spindles a year and replacing only 370,000 for the past 30 years, the capacity of the industry is virtually in balance with normal demand. In cotton spinning, we are producing 50% more goods with 50% less equipment than we did in 1925.

With its excess fat trimmed off and its productive muscles in the best condition ever, the industry is in excellent fighting trim and can look forward to again becoming a dynamic growth industry in the Golden Sixties. By 1965, population will have increased by 17 million, and per capita fiber consumption will be up by about 20%, reflecting the penetration of fabrics into new markets, such as reinforced plastics. The amount of disposable income will increase, with an estimated 25% increase for clothing. Home construction will be up by 25%. Given means to provide the new products required by this rapidly expanding economy, and making full use of the new fibers available, the textile industry can indeed look forward to a more rewarding future.

As the southern textile industry is one of the most important segments of southern economy, it will be well to look at the growth possibilities of the region.

One of the greatest problems confronting us today is the unprecedented growth in world population. Estimated at 500 million in 1650, it is 2¾ billion today, and is expected to reach 7 billion within the next 100 years. This has been accompanied by a substantial reduction in arable land due to erosion, overcultivation, and non-agricultural use, with the result that over half of the people in the world go to bed hungry each night.

In the United States, the population is increasing at the rate of 1.6% each year, which will result in 200 million people by 1970, and will double the present population in 50 years. It is generally accepted that 2½ acres of land are required for each person in this country in order to maintain the present standard of living. On this basis, the country's declining land reserves and its increasing population will be in balance by 1970. Further demands for agricultural products must then be met by increasing the yield per acre, as additional land will no longer be available. Industry's demands will further aggravate this condition as the United States, with 6% of the world's people, produces 50% of the world's goods.

It is desirable, therefore, to investigate the impact of the expected population growth of 16 million persons in the 16 southern states during the present quarter of a century upon the economy of the region. These states, which include the 11 tidewater states stretching from Delaware to Texas, and the five interior states of West Virginia, Kentucky, Tennessee, Arkansas, and Oklahoma, may be considered to be a representative cross section of the country as they comprise one-third of the total land area of the nation and account for one-third of its population. While differing among themselves in several important respects, they are bound together by strong social, political, and economic ties. They are recognized as southern states by the Southern Governors' Conference and by the Southern Association of Science and Industry. It is obvious that a tremendous increase in the production of foodstuffs and manufactured goods must be achieved throughout the South if this growth of population is to be accomplished without a substantial reduction in the present standard of living.

A detailed consideration of the factors involved indicates clearly that the South has ample resources to not only support this increase in population, but to do so with a concurrent improvement in the standard of living. Its production of foodstuffs has increased five-fold during the past 50 years with the same farm labor force. And it has only begun to apply the available technology. Agricultural leaders have stated that the systematic application of known farming procedures would enable the state of Texas alone to feed the world.

This green revolution also is a hallmark of the new South. The statement made by Hugh McRae, the famous North Carolina farm leader of yesteryear, that "the South will come into her own when her fields are green in winter" has finally become a reality.

This statement was based on sound logic. Cotton and tobacco, the two great cash crops of the region, are now crops and their cultivation takes a staggering toll of the soil resources of the South. The sales value of the cotton crop in the southern states, approximately $2½ billion per year, must be balanced against the fact that land in continuous cotton production loses 32 tons of soil per acre annually. In tobacco fields, the loss of topsoil is 15 tons per acre each year.

Fortunately, this loss of soil can be greatly reduced by the use of proper cultivation procedures. Terracing and contour plowing, particularly when the terraces are alternatively planted with row and drilled crops, will largely reduce soil erosion. And when once the land lay open to the sky in winter, the widespread use of cover crops of small grains, legumes, or grasses, keeps the land green the year around. In addition to preventing erosion, these cover crops add large quantities of organic matter to the soil, thus improving its tilth and moisture retaining properties.

This development in agricultural practices is revolutionizing the growing of row crops and saving the soil, so that generations yet unborn may enjoy the fruits of the good earth.

With these advances, the future of row crops is assured. The production of cotton, in particular, rests on a firm and secure basis. While 283 man-hours of work was required to produce a bale of cotton in 1900, completely mechanized operations make it possible to produce a bale of cotton with only 38 man-hours of work today. And improved growing practices, such as the use of better seed and fertilizer, have doubled the yield per acre over the past 20 years, with a corresponding increase in quality.

The South also has been a leader in the development of new and improved types of fertilizers, and has pioneered in the study of the effect of minor elements upon soil productivity. Hand in hand with this work has been an intensive study of soil reclamation procedures, with the result that millions of acres of worn out land have been restored to their original productive state. Agricultural research holds forth the promise of new land forever.

The South has not been unmindful of the fact that grass growing on the surface of the earth for uncounted centuries made the soil which is our common heritage today. The greatest opportunity for increasing the total productivity of the soil lies in the improvement of grasslands, which in turn leads to the production of cattle.

The first impetus for the production of livestock on a large scale basis in the South was the availability of forage during the winter months from the cover crops used to prevent erosion on row crop fields. This winter grazing proved to be so profitable that an increasing proportion of the land is being converted to permanent pasture, with the result that the South today is the fastest growing cattle raising section of the country.

Beef yields of 500 to 600 pounds per acre annually on improved pasture are common, and yields as high as 1,200 pounds per acre of irrigated pasture have been reported. And milk production now ranks fourth as a source of farm income in the South. Grass which once covered the earth in an endless blanket is coming back into its own.

The growth of the South's poultry industry has been equally spectacular, increasing 800% in 15 years. Farm income from chickens and eggs amounts to nearly $1 billion per year, a sum greater than the total income from cotton and cottonseed 15 years ago. Georgia is the largest broiler producing state in the Union.

To feed its constantly increasing livestock and poultry population, the South is largely increasing its grain production. Improved growing methods have made it possible to double corn yields in many sections of the South, and in 1952 the top corn yield in the country—241.1 bushels per acre—was obtained by a 13-year old 4-H Club boy in Prentiss County, Miss.

As less land is required for cotton production due to improved farming methods, a new agriculture is invading the Southland, one based on grasslands and grain production and producing meat, milk, and poultry. In addition to largely increasing the income of the region, it is improving the health and well-being of the people through the provision of a more adequate diet.

Equally important is the fact that this green revolution is protecting the basic resource of the South, its land. Sound and progressive management has converted millions of acres of eroded hillsides that once grew broomsedge, brush, and briars into lush green pastures filled with sleek herds of cattle. Stock farming is balancing crop farming and continually diversifying agriculture holds the promise of our even greater return from the land.

Living in the midst of one of the greatest agricultural areas in the world, we sometimes lose sight of the fact that the South was the birthplace of American industry. When Columbus discovered America on Oct. 12, 1492, he stated that "the Indians swam out to our vessels bearing bales of cotton yarn which they exchanged with us," the first recorded commercial transaction in the New World. Among the treasures which he took back to Queen Isabella were skeins of these same cotton yarns.

But even at this early date, the industry was an ancient one. Cotton fabrics of good quality were produced in quantity by the Pueblo Indians of the Southwest some 3,000 years ago, and in South America the Peruvian Indians of the time of Christ were weaving luxurious cotton and woolen fabrics of a fineness which cannot be duplicated by any known process today.

The first ships in the New World were built at Apalachicola, Florida, by Panfilo de Narvaez in 1527. They were tarred with pitch, which a Greek chemist, known as Don Teodoro, made from pine rosin, the first chemical operations in the country. The small fleet then sailed into Mobile Bay, where Don Teodoro volunteered to go ashore to obtain water and disappeared into the interior as an Indian captive. The first white person to set foot in Alabama was a chemist.

Fernando de Soto built seven brigs in the Spanish settlement on Tampa Bay in 1540 for his expedition leading to the discovery of the Mississippi river. Three years later, ships carrying the survivors of this expedition to Mexico anchored near Sabine Pass in Texas to collect the crude oil scum floating on the water to caulk their vessels. This is the first recorded use of a petroleum product in America, 64 years before the first English colonists stepped ashore at Jamestown.

Although many years were to pass before these pioneering uses could be exploited fully, each laid the basis for a large and expanding industry in the South. Today, the South has 52% of the textile industry, 39% of the chemical industry, and 38% of the petroleum manufacturing facilities of the nation.

The preparation of pitch from southern pine by Don Teodoro in 1527 was the beginning of the great naval stores industry. The first plant for the production of rosin and turpentine on a permanent basis was constructed by Captain John Smith of the Jamestown Colony in 1609. By 1619, the colony had three iron works, as well as sawing mills and salt plants.

Manufacturing continued to prosper, and by 1810 the South had 30% of the industry of the nation. Due to the large returns to be realized from agriculture, however, land became the magnet which attracted the attention of the majority of the people, and industry declined. In 1850, the factories of the South were producing only 14% of the manufactured products in the United States.

Then came the War for Southern Independence, and when the sound and fury of this great conflict had passed away, much of the South lay in ruins. While property of all types had been destroyed by the invading armies, industry had been particularly singled out for destruction. This coupled with a lack of capital for new enterprises, reduced the South's proportion of the nation's manufacturing facilities to 9% in 1900. But the turning point was at hand as the textile industry, long entrenched in the New England area, started to move South to provide the broad and enduring base upon which southern industry could build.

The Industrial Revolution

The most significant factor in the economy of the nation today is the industrial revolution sweeping through the South with undiminished vigor. Starting at the turn of the century, gathering strength during the depression years, and expanding with almost explosive violence during the war years, it has come to full bloom during the last decade. One of the mightiest forces in the nation, it continues to enlarge the basis of the economy of the South and to provide a higher standard of living for its people. To dramatize its impact upon the region, the First National Bank of Atlanta recently asked "What goes on in the Land of Cotton," and answered it by saying that "Old times here are all forgotten in the hustle and hum of over 22,000 new industrial plants located in the South since 1939."

To illustrate the rapidity with which the South has been building its manufacturing potential, the Gulf South area, which includes the states of Texas, Louisiana, Mississippi, Alabama and the northwest corner of Florida, accounted for one-sixth of all of the industrial construction in this country during the 10-year period following World War II. The value of such construction was $3¼ billion, which was six times the value of all industry built in the New England area during the same period. On an average, a million dollar plant was completed each working day for 10 years.

As a result of this phenomenal construction program, the South's proportion of the nation's manufacturing facilities has increased from 9% in 1900 to 22% today. Of the $26 billion expended by the government and private industry for wartime construction, $4½ billion was spent in the South to double the area's industrial plant capacity. Today, the South has 33,700 manufacturing establishments, of which 15,000 employ 50 or more workers. Some 22,000 new industrial plants have located in the area since 1939, and its industrial output has increased from $11 billion to $65 billion during the same period.

In view of these considerations, the writer was led to predict at the Southern Governors' Conference at Point Clear, Ala., in 1955 that the South would have 30% of the country's manufacturing facilities by 1965, and that in order to do so it would be necessary to build three large plants each day during this period, or a total of 10,000 plants in 10 years. This rate of growth, considered to be fantastic at the time, was exceeded in 1956 when 1,059 new plants were added to the southern manufacturing potential. Over 1,300 plants were built in 1957.

In the field of resources for new industry, the South is more richly endowed than any other section of the country. Of even greater importance is the fact that it is making rapid progress in developing a leading position in a large number of highly technical industries.

Chemicals

An outstanding example is the synthetic fiber industry, which started from scratch less than 20 years ago with the development of nylon and is a billion dollar industry today. The production of synthetic fibers is a southern industry, all of the manufacturing plants now in operation being located in a rather narrow belt extending from Delaware to Alabama. In addition, all new plants now under construction are in the same area.

The location of this important industry wholly in the South is a direct result of the region's commanding position as a cotton-producing area. While the textile industry was initially established in the New England states, it started to move into the South at the turn of the century in order to be closer to its raw material supply. As a result, 52% of the country's textile industry is located in the southern states at the present time. Since the textile industry represents the largest single outlet for chemicals, the South started to produce these basic materials to supply this growing market. Today, 39% of the chemical industry of the country is located in the southern states. As chemicals provide the basic raw materials for the production of synthetic fibers, and since the established textile industry can readily convert the fibers to fabrics and garments, the South was the only logical location for the chemical fiber industry.

Starting with the introduction of nylon by Du Pont in 1939, the

industry has enjoyed a phenomenal rate of growth, expanding 50-fold in 15 years. Present sales are at the rate of 500 million pounds annually, which, with the auxiliary chemicals used in the conversion of the fibers to fabrics, makes it a billion dollar industry. And its future looks equally bright. The President's Materials Policy Commission has estimated that the production of synthetic fibers will be at a rate of 4 billion pounds annually by 1975, a quantity equivalent to 8 million bales of cotton. It is destined to be one of the South's most important industrial enterprises.

Among the important new synthetic fiber plants in the South are Du Pont's nylon plants at Seaford, Dela.; Martinsville, Va.; Richmond, Va.; and Chattanooga, Tenn.; Du Pont's Dacron plant at Kinston, N. C.; Du Pont's Orlon plant at Camden, S. C.; Chemstrand's Acrilan plant at Decatur, Ala.; Chemstrand's nylon plant at Pensacola, Fla.; Allied Chemical's Caprolan plant at Hopewell, Va.; American Enka's Nylenka plant at Enka, N. C.; Carbide and Carbon's Dynel plant at South Charleston, W. Va.; Industrial Rayon's plant at Covington, Va.; and Eastman's Verel plant at Kingsport, Tenn.

Synthetic fiber plants under construction include American Cyanamid's Creslan plant at Pensacola, Fla.; Dow's Zefran plant near Jamestown, Va.; and Du Pont's Dacron plant at Old Hickory, Tenn.

Like the cotton textile industry, the production of rayon is predominantly a southern industry. Approximately 70% of the nation's rayon production capacity is in the South, 19 plants in eight southern states, and new plant installations will increase this proportion even further. This is a logical location for the industry, as the basic raw material is cellulose in the form of cotton linters or wood pulp, both of which are available in almost unlimited quantities in the South.

The South is in the happy position of being in the winner's corner regardless of the outcome of the competition between synthetic and natural fibers for various segments of the textile trade. Her broad cotton fields and modern synthetic fiber plants will continue to take care of the major portion of the country's textile requirements. This amalgamation of interests is well illustrated at Chemstrand's Acrilan plant at Decatur, where a substantial portion of the company's employees continue to grow cotton on their farms. Produced in southern plants by southern labor from southern raw materials, the chemical fibers are as much at home in the South as cotton. Together with this fine natural fiber, they are making a determined bid for supremacy in the textile field.

The production of synthetic fibers represents only one segment of the large and important chemical industry, which is rapidly becoming a southern industry. More than half of the nation's new chemical plants have located south of the Mason-Dixon line in the last few years. Chemical employment is increasing faster in the South than in any other area, and over 20,000 professional chemists and chemical engineers are now employed in the southern chemical industry. It is expected that the South will have half of the nation's chemical industry within the next decade.

Petrochemicals are the backbone of the southern chemical industry, and over 80% of all of the petrochemical plants in the country are located in the South, particularly along the Texas-Louisiana Gulf Coast. Petrochemicals are derived from petroleum and natural gas, the South's most important mineral products. They account for over 25% of the chemicals produced in this country today, and it is expected that this will increase to 50% within the next decade.

The petrochemical industry was established only a quarter of a century ago, and has seen its most rapid expansion since the last war. It is based entirely upon fundamental studies relating to the conversion of hydrocarbons to chemical products. Petrochemical production in the South has a value of nearly $4 billion today.

More than one-third of the petrochemicals produced are used in the manufacture of plastics. This is a continuation of the trend which has been under way for some time to replace steel with plastics and the lighter metals. A fruitful field for development would be the provision of additional plants in the South for converting the intermediate petrochemicals to plastics, as well as for the manufacture of plastic articles for the consumer trade. In this connection, it is interesting to note that 75% of the new plastic, polyethylene, is now being produced in Texas and Louisiana.

Monsanto's House of the Future at Disneyland, Calif., illustrates the trend toward the use of plastic materials for construction purposes. The central portion of the house is a ten-foot square structure containing all of the utility lines. The rooms are U-shaped plastic sections which can be clamped to the center column some five feet from the ground. A young couple establishing a home can start with two rooms and add to the home as the family grows in size. When the children grow up and leave home, the spare rooms then can be traded in on a new car, a television set, or perhaps a trip to Mars.

Ammonia is an important petrochemical, particularly from the standpoint of southern agriculture. The synthesis of ammonia ranks with the greatest discoveries of all times. Since the dawn of civilization, man had been living on the accumulated stores of nitrogen in the soil, and this capital was running out in the closing days of the last century. In 1887, Huxley, the great English economist, predicted that western civilization would disappear in 50 years as a result of the exhaustion of all available supplies of fixed nitrogen.

It is sometimes darkest just before the dawn, however, and this grim prediction did not materialize. In 1910, after ten years of research, Fritz Haber achieved the direct synthesis of anhydrous ammonia from hydrogen and nitrogen. At long last, man had discovered a way to renew his capital of this life-giving element indefinitely.

Over half of the country's synthetic ammonia production capacity of 3 million tons is in the South, and the major portion is made from natural gas. Due to the rapidly declining reserves of nitrogen in southern soils, approximately 60% of all agricultural ammonia is consumed in this area. If technological development had not shown the way to convert the natural gas so readily available in the region into ammonia, southern agriculture would be in a rapidly declining state of productivity today.

Another important field of consumption of the southern chemical industry has been in the manufacture of synthetic rubber. Approximately 70% of the country's production facilities are located in the South. Present installed capacity is 1¼ million tons, and this is expected to increase to 2½ million tons by 1975. Without the rapid development of the synthetic rubber industry during the last war, using petroleum and natural gas as basic raw materials, the country would have been unable to prosecute the war to a successful conclusion. Today, the synthetic rubber industry in the South contributes substantially to the area's prosperity.

Synthetic fibers, plastics, synthetic rubber, and ammonia are only a few of the more than 5,000 different products derived from petroleum and natural gas through the medium of petrochemicals.

Atomic Energy

As we enter the atomic age, it is reassuring to note that the South is playing a major role in atomic energy developments. Nuclear installations in the region already involve an investment of more than $3 billion, and are responsible for a variety of mushrooming enterprises important to all of the states in the region. Over 100 firms in the South today are participating in nuclear development programs.

The atomic industry in the South had its start at Oak Ridge during World War II. The operating facilities include one of the largest continuous process plants in the world, a four-story plant covering an area of 60 acres, producing U-235. The Oak Ridge National Laboratory is a nuclear research center and the source of most of the nation's radioactive isotopes, while the Oak Ridge Institute of Nuclear Studies assists universities in developing strong graduate and research programs in the nuclear industry. The total investment at Oak Ridge is in excess of $1¼ billion, employment is about 22,000, and the annual payroll is around $170 million.

Another AEC facility having a profound effect upon the economy of the South is the Savannah River plant located near Aiken, South Carolina. This plant, which was built by Du Pont, and is operated by the same company, is one of the greatest engineering projects ever undertaken.

The plant represents an investment of $1¼ billion and produces fissionable materials for use in nuclear weapons, including H-bombs. Recently, arrangements have been completed for the production of radioactive cobalt, used in the treatment of cancer.

Important leaders in industrial applications of atomic energy in the South include the Newport News Shipbuilding and Dry Dock Company, which is investigating the use of atomic power in ship propulsion; the Davison Chemical Company, which is active in the rare earth field; the General Dynamics Corporation, which is interested in nuclear reactors and nuclear-powered airplanes; and the Southern Company, which is investigating the production of electric power from atomic energy.

The magnitude of the civilian atomic energy field may be gauged by the expectation that the production of components for reactor plants will be a $700 million a year business by 1963. By 1965, it is estimated that $7½ billion will be invested in atomic reactors in this country, and that from 30,000 to 40,000 scientists and engineers will be required for this enterprise. Looking into the more distant future, it has been predicted that the energy produced by atomic powered electrical generating units in this country by the year 2000 will be equivalent to the explosion of 10 million atom bombs annually.

The Southern Governors' Conference has sponsored and directed a series of conferences on the use of atomic energy in the fields of agriculture, atomic power, industry, and medicine. The Southern Association of Science and Industry was so-sponsor of an Atomic Industrial Forum in Atlanta in April, 1956. This conference attracted more than 400 southern business leaders, the largest group ever assembled to discuss the South's atomic industrial future.

The Southern Regional Education Board, under the Chairmanship of Governor Collins of Florida, held a series of meetings at Oak Ridge, Aiken, Raleigh, and St. Petersburg. From these meetings came a comprehensive plan for the development of atomic energy for civilian uses on a regional basis in the South. This plan was adopted by the Southern Governors' Conference at their September, 1956, meeting at White Sulphur Springs, West Virginia, and expanded at their September, 1957, Conference at Sea Island, Ga.

This interest on the part of leading government and industrial representatives in the future of atomic energy in the area is an assurance that it will be directed in such a way as to insure leadership for the South in this important development.

Electronics

The rapidly growing electronics industry has found the South to be a fertile field in which to grow, and over 200 important electronics plants are now located in the region. More than 90,000 Southerners are working in electronics, with an annual payroll of nearly $500 million. This growth is having a significant effect upon the economy of the area as electronic components are finding widespread use in practically every phase of manufacturing, communication, and transportation.

On a national scale, sales and revenues this year will amount to $11 billion. It is expected that this will increase to $16 billion by 1960, and to $22 billion by 1965. These estimates indicate that electronics is the world's fastest growing major industry.

Highlighting the part played by the South in the electronics field, Texas Instruments of Dallas now supplies more than one-third of the nation's transistors, with annual sales of some $28 million. A host of home-grown industries in the area are manufacturing such products as radio and television sets, geophysical prospecting equipment, magnetic recording tape, radar navigation equipment, and a great variety of electronic components.

The larger companies, of course, account for the largest investments and the greatest employment in the region. General Electric, for example, has constructed 19 major plants, employing 30,000 workers, in the South during the past decade. And Western Electric has five plants in North Carolina alone.

In addition, there is an impressive volume of electronics research throughout the South. One of the leading groups is the Georgia Tech Research Institute in Atlanta, which has an electronic computation laboratory, as well as a complete electronic facsimile system. The Industrial Research Institute of Chattanooga has pioneered the development of an automatic electronic control for machine tools, in which information from a tape controls the shaping of a piece of material in three dimensions. And Bell Telephone Laboratories is testing its new solar battery at Americus, Georgia.

As an indication of the widespread nature of the rapidly growing electronics industry in the South, more than 100 manufacturers of electronics equipment exhibited several million dollars worth of equipment at a meeting of the Institute of Radio Engineers in Atlanta recently.

Aircraft and Missiles

Another rapidly growing field in the South is the development and manufacture of all types of aircraft and guided missiles. A recent survey indicated that the area has some 110 aircraft and missile plants, compared with some half dozen at the end of World War II.

The most significant aspect of the South's aeronautical expansion has been its wide distribution, as well as its relative security against enemy attack. Bombers or missiles directed across the North Pole to targets in the United States could be identified and intercepted before reaching the southern area.

Recent announcements serve to highlight the fact that the South is now the center of some of the nation's most advanced aeronautical programs. The country's first artificial satellite was launched from a southern base, while various development groups are busy with such projects as intercontinental guided missiles and aircraft powered atomic energy. Of even more importance is the fact that the South, in recent years, has obtained several of the nation's key aeronautical research installations.

With this as a base, plus a variety of favorable plant location factors, the South is well on the way to become the nation's top region for aircraft development. Texas ranks as the number one aircraft-producing state in the area, with heavy concentrations at Fort Worth and Dallas. Employment in the aircraft industry in these two cities totals 42,000, with an annual payroll of $200 million. This is second only to the Los Angeles area in aircraft manufacture in the country.

Practically every major aircraft and missile producing company in the country has one or more plants in the South. Plants in the Texas area include Bell, Chance Vought, Convair, Fairchild, and Temco. Fairchild, Hughes, and United Aircraft are located in Florida. Lockheed has two major plants in Georgia, and is building a third. Douglas and Fairchild have plants in Oklahoma, and Douglas also has a plant in North Carolina. Fairchild, Glenn L. Martin, and Flight Refueling are located in Maryland. Fairchild has a plant in Tennessee, and Hayes has a plant in Alabama.

One of the most significant developments in the South has been the location of a number of key aeronautical research centers in the region, which include several bases for the nation's most advanced work in the guided missile field. The Patrick Air Force Base, near Melbourne, Fla., is the main base for the 5,000 mile long guided missile range which extends through the Bahama Islands past Puerto Rico and across the South Atlantic to Ascension Island. The first horizontal launching of a V-2 missile was made at this base, and the earth satellite launchings are made from the same area.

A major research and development center is the Rocket and Guided Missile Agency (formerly the Redstone Arsenal) near Huntsville, Ala. It was staffed by a nucleus of German rocket scientists brought in after World War II under the leadership of Wernher von Braun, who is probably the foremost missile authority in the world today. Total investment at the Agency is $150 million, and the personnel includes some 7,000 civilians with an annual payroll of $40 million.

The Agency, under the leadership of Major General M. D. Medaris, is the nerve center for the Army Ordnance's missile research and development activities, and is playing an increasingly important role in keeping our national defenses superior and up to date. Its facilities are being substantially enlarged, as well as those of related industries and technical activities at the base, such as those operated by the Thiokol Corporation and Rohm and Haas. In addition to work in the missile field, Rocket aod Guided Missile Agency scientists are working on the problem of interplanetary fight.

Another key facility is the Air Force Engineering Development Center at Tullahoma, Tenn. Many experts believe that this laboratory will eventually supplant

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Southern Industrial Growth And the Textile Industry

Wright Field, historic center of Air Force development work, in many fields of activity.

The first major aeronautical research facility in the country was the laboratory of the National Advisory Committee for Aeronautics at Langley Field, Va. It was there that John Stack and his associates made the discoveries which enabled American aircraft to crack the sound barrier.

At the Allegheny Ballistics Laboratory near Cumberland, Md., which is operated by Hercules for the Navy, booster rockets for the Nike and Terrier guided aircraft missiles have been developed, as well as for the Honest John free-fight ground-to-ground artillery rocket. This base also is involved in project Vanguard, the earth satellite program.

An important missile development center is operated by Sperry Farragut Company at Bristol, Tennessee. The Navy has an 8,600 acre rocket station at Camden, Arkansas, while at McGregor, Texas, Phillips Petroleum is said to be developing the most powerful solid rocket fuel ever made.

The top facility for the study of the effect of climatic conditions on aircraft is located at Eglin Air Force Base near Pensacola, Florida, while the Kelley Air Force Base in Texas and the Navy's air base at Pensacola, are the centers of pioneering aero-medical investigations. Scientists at these locations are hard at work studying the problem of transporting human beings through interplanetary space.

Supplementing the work of Federal research groups and private industry are a number of alert and aggressive educational and research institutions throughout the South. The Applied Physics Laboratory at Johns Hopkins University developed the pioneering Aerobee rocket, as well as working closely with the military services in testing the German V-2 missile and studying conditions in the upper atmosphere. In addition, it has developed the new Talos surface-to-air guided missile for the Navy.

Atlantic Research Corporation in Alexandria, Virginia, has been particularly active in studying solid propellant rockets; the Georgia Institute of Technology has long operated an aeronautical department with wind tunnel research facilities, and at North Carolina State College studies are being made of rocket control problems.

The impact of these developments upon small business enterprises in the South has been tremendous. Lockheed's Marietta plant, within three years of its establishment, was doing $45 million worth of business with Georgia firms, and a total for the Southeastern states of $77 million. It made purchases from 7,500 different firms in a recent three-year period.

With a favorable climate, ample space for plant dispersion, a skilled labor force, and a record of aggressive development, the South is certain to enjoy an important share of the expected large expansion of the aircraft and missile industry. Aviation, which was born in the South, promises to find its most fertile soil for development and expansion in the area.

Other Industries

The food manufacturing industry is the most important ($11 billion, 24% of the nation) industry in the South today, followed by Chemicals ($8 billion, 39% of the nation), oil and coal products ($7 billion, 35% of the nation), and textiles ($7 billion, 52% of the nation).

Food processing industries in the area have progressed so rapidly in recent years as to become a major factor in the agricultural and industrial economy of the region. With the average American using 1,600 pounds of food a year, production must be steadily increased to take care of the expanding economy of the country. The southern food processing industry consists of 11,800 plants and 464,000 employees, with a payroll of $2 billion.

Reflecting the relatively large size of individual installations, and the extent to which automatic processing and control procedures are employed, the oil and coal industry comprises 400 plants employing 90,000 persons, with a payroll of $1½ billion.

The pine tree is the source of the basic raw materials for one of the oldest, as well as one of the most recent southern industries. Rosin and turpentine obtained from pine are the starting materials for the naval stores industry, while cellulose derived from pine is used in making rayon pulp, Kraft paper, and newsprint. The South's pioneering scientist, Dr. Charles Herty, made revolutionary contributions to both industries. The Herty cup which he developed for collecting gum rosin stopped the wasteful practice of cutting boxes in the tree to receive this product. As the latter practice usually killed the tree in a short period of time, the almost universal adoption of the Herty cup placed the naval stores industry on a sustained yield basis. His pioneering research to determine the type of pine suitable for the production of newsprint led to the discovery that the use of young trees would produce newsprint of excellent quality. He completed his epoch-making discovery by developing satisfactory methods for bleaching the pulp. The southern newsprint industry rests firmly and securely on his work, and the great stands of pine dotting the southern landscape are his enduring monument.

The production of forestry products, particularly those based on the utilization of pine, is increasing at a rapid rate. There are 80 pulp and paper mills in the South today, and this number is growing rapidly. Many economists are of the opinion that the discovery of the sulfate process for making Kraft and newsprint from slash pine triggered the industrialization of the region. These 80 mills supply 40% of all the paper sold in this country, and the South is well on its way to become the paper-making center of the world.

Southern newsprint production has now reached 500,000 tons per year, and it is expected that this will increase to 1½ million tons by 1975. The South now produces more than half of the wood pulp manufactured in the country and is the largest producer of chemical wood pulp in the world. Approximately nine million tons of wood pulp, valued at nearly $2 billion, are produced each year. The total value of southern forestry products exceeds the total value of the cotton and cottonseed crop. Pine tree farms will produce 2,000 pounds of cellulose per acre annually, equivalent to four bales of cotton.

Among the rapidly growing industries in the area are the light metals industries, of which the production of aluminum is the most important. The expansion program begun during the Korean War was completed in 1955, more than doubling the nation's annual primary aluminum production since 1950. Production is now at the rate of five billion pounds.

Announced expansion plans of present and prospective producers will add a total of 1½ billion pounds of new capacity within a few years, a 46% increase over 1955 capacity.

The aluminum industry is largely concentrated in the South. There are a total of nine primary producing plants in Alabama, North Carolina, Tennessee, Arkansas, Louisiana, and Texas. And these six states have practically all of the country's alumina-producing plants. The main reason for this concentration of the industry in the South are the accessibility of the three essential elements required in the production of aluminum, namely, low cost fuel and power, skilled labor, and bauxite, the basic raw material from which aluminum is made.

In addition to possessing domestic supplies of bauxite, the aluminum industry depends for a major portion of its requirements on imported ore from the islands of Jamaica and Haiti and the northern coast of South America, particularly British and Dutch Guiana. Ore movements from these countries travel a relatively short water distance to the Gulf ports of Mobile, New Orleans, and Corpus Christi. Thus, in terms of its raw material requirements from domestic and foreign sources, the aluminum industry has its roots deep in the South.

The rapidly expanding use of aluminum in many important industries has been responsible for its phenomenal growth. Thus, in the automotive industry where the average use of aluminum 10 years ago was less than 10 pounds per car, one of the latest models uses 197 pounds per car, including gold-anodized aluminum grilles. And certain authorities are predicting that within the next 10 years the average use of aluminum per car will be 1,000 pounds, which would amount to approximately eight billion pounds per year. If this should come to pass, it would have an enormous effect upon the economy of the South.

And the well established industries also are doing very well. In the past 10 years, steelmaking capacity in the South has been increased by 70%, which is twice the national average. Dixie's industry is in an expansion mood all along the line.

Factors Responsible for Industrial Expansion

The three major factors responsible for the rapid industrialization of the South are the Three M's—Men, Markets, and Materials.

(1) **Men:** The most important single factor in the industrial development of the South has been the character and ability of the people in the area. Due to the rapid mechanization of its agricultural operations, the South is still a labor exporting area. This large reservoir of willing workers, who can be readily trained to handle a wide variety of complex manufacturing operations, is a prime attraction for industry. Equally important is the fact that Southerners have demonstrated their ability to design, build, and operate a wide variety of industrial plants in an eminently satisfactory manner. Many surveys have shown that southern plants in many industries operate at better efficiencies, and at higher quality and profit levels, than comparable installations in other sections of the country.

(2) **Markets:** The sharp increase in per capita income in the South in recent years—250% since 1939, 64% above the national average—has stimulated the construction of plants for the production of consumer items to supply the expanding needs of the people of the area. This economic growth has promoted further construction, and the region is now involved in a cycle of industrial expansion that feeds on itself with growing vigor.

The South's share of the expected population growth during the present quarter of a century is 16 million people, or an average of one million persons for each state. As each person uses approximately 18 tons of material each year, the markets available for industry in the South in the coming years is very large.

There is every reason to believe that the construction of plants for consumer items will continue at an accelerated pace. Many economists believe that within the next decade the southern states will come up to the national average in per capita income. This would mean an increase in per capita annual income of $400.

(3) **Materials:** Materials comprise the third item in the triumvirate of important factors dictating the location of industry.

As the South provides 35% of the agricultural products of the nation, it is significant that one-half of all new plants located in the South last year were related in some way to agricultural activities. The South's most important manufacturing operation is food processing, and 25% of the plants operating in this field are in this area. The South has 52% of the country's textile mills and 88% of its tobacco manufacturing operations.

The South has 33% of the forests of the country, 32% of the lumber industry, and 25% of the pulp and paper industry.

The South accounts for 56% of all of the minerals produced in the United States, and approximately three-fourths of all petroleum and natural gas production. It produces 25% of the nation's coal. The importance of petroleum, natural gas, and coal as raw materials for the chemical industry is indicated by the fact that over 5,000 chemical products are obtained from them.

Many agricultural products are important raw materials for industrial operations, and expanding demands for this purpose have changed the pattern of production of many southern crops. As an example, the development of edible fats from cottonseed oil has changed the status of cottonseed from an unwanted by-product to that of an important agricultural commodity. In certain sections of the South today, cotton is raised primarily for the production of seed instead of fiber. Fisheries also provide raw materials for many industries.

(4) **Water:** The nation's greatest undeveloped water resources are in the South. The average rainfall is 40 inches, compared with 30 inches for the country as a whole. In addition, the South is using only 4% of its water resources, while the average for the nation is 18%.

(5) **Transportation:** The South has over one-half of the country's salt water coastline and 60% of the nation's navigable inland waterways. In addition, it has 36% of the combined road, railroad, and airway mileage of the country.

Ten southern ports rank among the top 25 in the nation in annual tonnage. Houston is the third port in the nation, while New Orleans ranks fourth.

(6) **Utilities:** The South is a land of low energy costs due to hydroelectric power and an abundant supply of coal, oil, and gas. During the period from 1946 to 1954, the private electric utilities in the South led the nation in the expansion of facilities, the expansion in Texas alone being greater than in all of the New England states. Today, electrical power resources in the South represent more than 30% of the nation's total.

It is significant that the greatest expansion of the large power-consuming industries, such as the manufacture of the non-ferrous metals, has been in the South. The production of aluminum, magnesium, and titanium in the area undoubtedly will increase at an accelerated rate.

The prominent place given to the production of power from atomic energy by the private power companies and government groups in the area is a clear indication that the South will play a prominent role in this development, also. This could have a very profound effect upon the further growth of industry in the area.

(7) **Finances:** The South is making rapid strides in strengthening its financial structure. Southern banks now have 20% of the banking assets of the country, and southern life and insurance companies have 26% of the total value of all outstanding policies in the country. A recent survey listed 18 southern banks among the nation's top 100 institutions.

This marked growth in the financial resources of the region is both a cause, and a result, of the expanding economy of the region.

(8) **Miscellaneous:** The South is an outstanding region in which to live and do business. The climate, recreational facilities, living conditions, and the desire of the people to improve their economic well-being have been powerful influences in the location of industry in the area.

The solid support given by the press to industrial development, the activities of more than 1,500 local, state and regional organizations devoted to the economic advancement of the area, and the progress of industrial science in the area have been major factors in the rapid economic gains scored by the South during the past decade.

The Future of Industry in the South

These resources are sufficient to support an industrial expansion which could make the South the most prosperous region in the country within the next decade. But wishful thinking will not make this come to pass. To make these dreams come true, even to a modest degree, it will be necessary to use to the fullest possible extent the talents of the scientist and the engineer, as well as the organizational and managerial abilities of the manufacturer and entrepreneur. The mere possession of abundant raw materials, a good climate, and good soil is no guarantee of future prosperity. The capabilities, ambitions, and industriousness of the people occupying the area are the deciding factors.

An interesting parallel is often drawn between Panama, which is heavily endowed with excellent resources, but has one of the lowest standards of living in the world, and Switzerland, which is very poorly supplied with natural resources, yet enjoys one of the highest standards of living of any country.

The fundamental reason why petroleum, natural gas, brine, minerals, and other natural resources of the South, which have been available since the earliest times, have suddenly become the basis for a great industrial empire, expanding employment, and a rising economy is due, in large measure, to the vision and skill of the scientist and engineer. Until the vision of the scientist can see in them an answer to a human need, and the engineer supplies the technological skill which enables them to be used, they really do not exist at all as far as economic value is concerned. Man's knowledge and understanding of scientific and engineering principles, coupled with vision, leadership, and the availability of investment capital, has resulted in the industrial development which

is so rapidly changing the face of the South.

While there are factors limiting the four other major resources of the nation—natural resources, agricultural capacity, industrial facilities, and manpower — there is no foreseeable limitation of technology. This comprises the primary resource of the nation as the application of technology has permitted the country to become highly industrialized and highly mechanized, and has permitted the people to work less and produce more, thus creating the world's highest standard of living. The average output per man-hour for the economy as a whole is six times that of a century ago. Technology is opening new gates in uncovering sources of raw materials, so that today's nitrogen for explosives and fertilizers is obtained from the air, and magnesium, the new industrial light metal, comes from sea water.

The United States has the highest economic growth rate among the highly industrialized countries of the world, and it devotes the highest percentage of its national income to research and development. From this, one may conclude that research may be the most important single factor in the economic growth of the country.

Probably no other section illustrates so well the value of research in improving the economic well-being of a region as the South. The majority of its industry is new and is based upon recent technological advances. At least 50%, and possibly as much as 75%, of the 250% increase in the per capita income in the South since 1939 may be directly attributed to the application of research to convert southern resources into products required by our economy.

In the field of research, it is disconcerting to find that the South accounts for only 5% of the industrial research under way in this country. Fortunately, the South is well aware of its needs of research establishments to support its rapidly growing technical industries, and has been providing such facilities at a rapid rate. The writer has predicted that at least 1,000 new industrial research laboratories will be constructed in the South in the decade from 1955 to 1965, and that 15,000 scientists and engineers will be required to operate these new facilities.

This brings us face to face with the most important problem confronting the South today — the scarcity of technical and engineering personnel. With some 25% of the country's industry, the South is graduating only 17% of its scientists and engineers at the Bachelor's level, 17% at the Master's level, and 14% at the Ph. D. level.

The magnitude of this problem may be realized by a consideration of the $8 billion loss incurred by the South each year due to its inability to properly educate its young people. A recent survey shows that less than half of the high school graduates in the area with an I.Q. of 132 (the Ph. D. level) finish college. This means that for each of the 80,000 college graduates in the South last year, another boy or girl of equivalent intellectual ability was unable to attend college due to inadequate facilities or finances. As studies have shown that the average college graduate earns $100,000 more in a lifetime than one who has not had the advantage of such an education, the annual loss to the South from this source is $8 billion.

While it was not to be expected that southern schools could take care of the immediate technological needs of industry in the area, due to its rapid rate of growth, they must be prepared to do so within a reasonable period of time. Industries will not continue to expand in an area incapable of supplying the most indispensable personnel required for their operation. Fortunately, the seriousness of this situation is recognized by several southern states, and active measures are being taken to increase the output of technical and engineering graduates. The future of industry in the South depends upon the success of this undertaking.

I am certain that this problem will be solved and that the South, within the next few years, will be graduating a sufficient number of young people trained in all of the requirements of modern industry to permit the region to expand to its full capabilities. I predict further that the South will become the center of industry in the country within the next 25 years.

While the majority of this industry will be highly technical in nature, there will be a corresponding expansion in the production of sub-assemblies and consumer goods. Much of southern industry today is composed of very large manufacturing units, which require a constant flow of intermediate products for their successful operation. Due to the rapid growth of this industry, much of the required parts and sub-assemblies must be obtained from sources outside the area. Many thousands of small foundries, machine shops, and sub-assembly manufacturing units must be built throughout the South during the next few years to satisfy the requirements of the automobile, aircraft, and missile industries.

In a disconcertingly large number of cases the South is still paying two freight bills for consumer items, involving the movement of raw or intermediate products to the North and the return of the finished goods to the South to satisfy consumer requirements. Some 75% of the chemicals required for the production of plastics are manufactured in the South, but only a very small proportion of the country's molding facilities are located in the same area. Probably no other manufacturing enterprise offers such outstanding opportunities to southern businessmen as the production of molded consumer items.

To pick another example, a recent survey has shown that over half of the bolts and nuts used in the South are manufactured elsewhere. And finally, it is surprising to note that while food manufacturing is the South's largest industry, it still falls short of meeting southern requirements for prepared foods.

For the next 25 years, the present resources of the South, supplemented with certain raw materials from adjacent areas, such as bauxite from the West Indies and South America, will be sufficient to take care of the needs of industry. Developments in agriculture will provide all of the foodstuffs required for the expected increase in population.

Looking into the more distant future, the picture is still bright. The food producing potential of the South is sufficient to support a population several times as large as the present one, and the development of improved agricultural procedures during the past decade will make it possible for the area to have new land forever. And recent advances in technology hold forth the promise of a never ending supply of raw materials for the production of goods and services.

The basic raw materials for the production of goods of every description may be conveniently divided into two main groups, namely, (1) agricultural and forestry products, and (2) minerals. In the first group are such items as cotton, cottonseed, grains, naval stores, and wood pulp. In the second group are such items as petroleum, natural gas, coal, bauxite, and iron ore. Modern technology makes it possible to move from one group to the other at will in making a given product. Thus, nylon may be produced from petroleum, coal, pine lignin, or the castor bean.

An important raw material for the production of a host of items required by our economy is petroleum. Petrochemicals are the backbone of the southern chemical industry, and over 80% of all of the petrochemical plants in the country are located in this area. Over $4 billion worth of petrochemicals are produced annually in the southern states, and some 5,000 different consumer items are manufactured from them. In addition, petroleum and natural gas supplies 55% of the energy requirements of the nation.

When the last oil well runs dry, we can turn to the pine tree, the South's most important renewable resource, for the basic raw materials required for the production of petrochemicals. When an average tree is converted to lumber by present processes, only 65% of the tree is obtained as useful products. The sawdust, bark, and waste lumber resulting from these operations can be readily converted by known processes to a hydrocarbon liquid which can be used in place of gasoline in internal combustion engines, or it can be readily converted into any one of the many industrial and consumer products now obtained from oil and gas. As a ton of wood residues can be processed to yield 110 gallons of liquid fuel, the pine tree may be regarded as an upside down oil well. The great stands of pine dotting the southern landscape are the mainstay of much of southern industry today, and the guarantee of its future industry when our petroleum reserves are exhausted.

Before wood waste is converted into liquid fuel, other by-product processes undoubtedly will be placed in operation. The utilization of only two-thirds of the available mill residues would give sufficient molasses to provide three pounds per day for every head of cattle in the United States. The production of one ton of wood pulp results in the simultaneous production of a ton of lignin, the cementing agent in the tree. This is almost entirely wasted in present commercial operations, despite the fact that it can be converted readily into chemicals for the production of nylon and other important consumer items.

When the last iron ore pit has been exhausted and our other mineral resources have been completely utilized, the production of metals and chemicals from sea water will continue to be a fertile field for development. The first plant for the production of chemicals from sea water was operated by the Dow Chemical Company at Kure Beach, N. C., before the war. Dow is presently operating a large plant for the production of magnesium and bromine from sea water at Freeport, Tex., and these are only two of the two dozen metals and chemicals which occur in commercial quantities in sea water. The ocean is the last undeveloped source of a large number of important minerals, and in the exploitation of this virtually inexhaustible supply, the South has important locational advantages due to its long coastline.

In the production of energy, technology also is showing the way. The conventional fuels will soon be exhausted—oil in the next 50 to 100 years, and coal within the next 200 years. And even in the field of atomic energy, there is only sufficient uranium in sight to satisfy the world's requirements for some 200 years. But recent advances in the thermonuclear field indicate that within the next decade the last remaining problem associated with the process for unlocking the energy present in heavy hydrogen by thermonuclear reactions may be solved. This reaction is similar to the one used by the sun to generate its never-ending flood of energy. When this has been accomplished, our continuing research for new energy sources will be at an end, for the ocean contains enough heavy hydrogen to satisfy the world's energy requirements of at least a billion years.

Technology thus points the way to a continuation of the expansion of industry in the South by insuring a virtually inexhaustible supply of energy and raw materials for the production of an almost endless variety of products. So long as pine and sea water are available, southern industry can look to the future with confidence.

Finally, I would like to emphasize again that the greatest resource of the South is her people. Pleasant, courteous, industrious, and intelligent, they have made industry welcome, and by their ability they have made southern industry the best managed, the best operated, and the most profitable in the nation.

Boy Scouts Appoints J. Stewart Baker, Jr.

J. Stewart Baker, Jr., Vice-President of the Chase Manhattan Bank, has been appointed special gifts chairman of the 1959 finance campaign of the Greater New York Councils, Boy Scouts of America, it was announced by F. Raymond Johnson, general campaign chairman and Executive Vice-President of Saks Fifth Avenue.

J. Stewart Baker, Jr

The special gifts committee will begin campaigning for substantial gifts on Oct. 1. The general campaign will open with the traditional Dawn Patrol Breakfast on Jan. 8, 1959. The finance campaign of the Greater New York Boy Scout Councils will raise the funds to continue the Scout program for New York City's 120,000 Scouts, and bring Scouting to more boys.

Mr. Baker announced that his co-chairmen on the special gifts committee will be James H. Evans, Vice-President of the Reuben H. Donnelley Corporation; J. Emerson Thors, partner of Kuhn, Loeb and Company; and Keith M. Urmy, Vice-President of the Chemical Corn Exchange Bank.

Mr. Baker, a supervisory officer in the Chase Manhattan metropolitan department, is a member of the executive board of the Greater New York Councils, Boy Scouts of America, and a trustee of St. Luke's Hospital and the Groiler Foundation.

Form Cons. Investors

ATLANTA, Ga. — Consolidated Investors, Incorporated, has been formed with offices at 2265 Riada Drive, N. W., to engage in a securities business. Richard R. Felker is a principal of the firm.

Hirshon Roth Partners

Hirshon, Roth & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, on Sept. 1 will admit Marion L. Benson and Wendy J. Hirshon to limited partnership.

Riter Co. to Admit

Riter & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, on Aug. 21 will admit Margaret A. C. Riter to limited partnership.

Childs Securities Corp. Is Formed

An important new investment-banking firm has been formed under the name Childs Securities Corporation, according to an announcement by its parent corporation, C. F. Childs and Company, "The oldest house in America specializing in Government Securities."

F. Newell Childs

The main office of Childs Securities Corporation will be located at One Wall Street, New York, and the home office will be at 141 West Jackson Boulevard, Chicago. Other offices will be ready to open soon in Boston, Pittsburgh, Cleveland, St. Louis and Denver.

Principal officers of the new firm include F. Newell Childs, President (also President of C. F. Childs and Company and son of its founder), Elwood D. Boynton and Donald E. Barnes, Vice-Presidents.

A general business in corporate finance, including underwriting of corporate stock and bond issues, loans to corporations, negotiation of mergers and related undertakings has been mapped for Childs Securities Corporation. All such affairs heretofore handled by C. F. Childs and Company are being transferred to the new firm.

"In the business history of this century, one of the most important events is the amazing growth — almost an explosion — of the economy in the last decade, and we look for this expansion, despite temporary setbacks such as the recent recession, to continue even at an expanding rate," stated F. Newell Childs. "Our experience representing thousands of institutional investors in the delicate Government securities markets," Mr. Childs continued, "may be useful in helping to provide the capital and credit which American business will need in the years ahead."

Formation of Childs Securities Corporation, according to Mr. Childs, "was made a necessity by the rapid expansion of the parent firm's corporate securities business. In corporate bond syndicates alone," he said, "we are now bidding on or negotiating an issue just about every other day on the average."

Known as one of the largest privately-owned businesses in the world in dollars-volume transacted, C. F. Childs and Company handles multi-billion dollar amounts each month in sales through its own account. The company is noted also for having devised and opened much of the modern market for securities of the United States Government.

The founder of the firm, the late C. F. Childs, was co-organizer of the Investment Bankers Association of America, on whose Governmental Securities Committee Childs junior has represented the firm for many years. He pioneered coast-to-coast trading in Government securities by maintaining trans-continental direct wires for this purpose; then lending use of the wires to major Western brokerage houses. Another colorful practice early in the century enabled the firm to accommodate banks throughout the nation in establishing circulation accounts, whereby their own currency was printed and circulated, secured by a deposit of Government bonds in Washington. Many old-time bank officials will remember the firm in this connection.

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As We See It

and business must be very, very careful about this whole problem of pushing wages each year above those rates that imply or show the increases in productivity, and business must make its profits of such a scale that where they can still continue to invest money they are not robbing the public. Because if they do, just as sure as you are a foot high, one day the American consumer is going to rebel, he is going to rebel in a big way, and there will be real trouble, and we will get something that we don't want.

"Now, government's principal reason here is to keep down expenses so we can try to keep, so far as we can, fiscal responsibility, and I do not admit, and I do not for a moment believe, that we are going to have constantly increasing deficits.

"I believe the prospects are for this next one, which goodness knows, horrible as it is, must be highest one, and we must go back from there."

The President is not noted for the facility and clarity of his impromptu analyses, but it is clear enough from these somewhat awkward sentences, that he is aware of the awful effects of a constantly rising level of prices, and in particular of the cruel consequences of them to those who are depending upon pensions and the like to carry them through their aging years. He recalls at one point that months ago when many were screaming about the alleged need for all sorts of foolish measure to end the recession, he was even then warning about the dangers and the harmfulness of inflation and insisting upon avoidance of at least some of the more dangerous of the anti-depression programs then being proposed.

He now makes it doubly clear that he does not believe that there is any health in a long series of almost astronomical deficits, although the best he can say at the moment is that the supposedly $12 billion deficit facing us must be the largest and from then on we must work back toward at least an approach to fiscal sobriety.

Is It Enough?

But is this enough? Possibly it is as much as could be expected of a Chief Executive who, along with all too many of us, has been living in an atmosphere of New Dealism until the solid precepts of sound economics are no longer given much thought or respect. But is it enough to protect the wage earners and the rest of us from the evils the President himself describes—and from others he does not mention?

The fact is that when we turn from the President's words to the recent record of either the Administration or of Congress, the conclusion is that any and all efforts now being made or proposed for the prevention of inflation are lame and impotent. The cold truth is there is no sound reason for the $12 billion deficit either now or at any other moment in peacetime. The expenditures which are in part responsible for such a deficiency are far greater than there is any sound reason for. It may or may not be true that we must spend the sums now planned on defense in this troubled world—on that score we pass no judgment at this time—but the billions spent to get or to hold the votes of the farmers of the country are just so much money down the drain so far as economically sound management of our affairs is concerned.

Nor is there any sound reason why the taxpayers should be required to put up the billions of Federal money that are now going into housing. We have played fast and loose with Veterans' benefits, and with a half-dozen other programs involving huge sums. It should never have been done—and if the President is in no position to tell the country the facts in these matters, then it is because either he or we (or both) have lost our heads.

The borrowings of the Treasury as a result of this deficit will be inflationary enough. In a recently issued analysis of the situation, the well-known government bond specialists, Aubrey G. Langston & Co., New York City, had this to say: "The bulk of the Treasury's deficit financing will have to be lodged with commercial banks and such debt-lengthening efforts as the Treasury can undertake successfully, over the indefinite future, will be confined to those that can be accomplished with commercial banks unless a new approach to debt funding and debt lengthening is used.

"Incidentally, we were interested to note that The First National City Bank seems to have come to about the same conclusion, based on the July edition of its Monthly Letter. After pointing out that the Federal deficit was 'swelling beyond $10 billion a year,' it added 'whatever fraction of this amount the Treasury is able to cover with long-term borrowing the fact remains that shorter-term borrowings will also rise, and almost certainly to a much larger extent.'

"If we were to add a postscript to The First National City Bank Letter it would be this: The probabilities favor a continuing rise in defense spending for a number of years and, if the rise that has been going on in non-defense spending since the end of the fiscal year 1954 continues—we are in for a series of large deficits, not just one for fiscal 1959. This statement holds true even if business activity in this country blossoms into a sort of prosperity that would fully utilize available manpower as early as the end of the calendar year 1959."

But Federal finances are but a part of the responsibility of government in this matter of inflation. In this space last week we asserted—and now repeat—that government anti-recession programs generally "are the very programs which all through the years, and even the centuries preceding World War II have been regarded—and justly so—as being precisely those which are best calculated to produce long continued stubborn price rises and all the accompanying evils of what is known as inflation."

The President has a greater responsibility in this matter than he realizes.

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Gold Today

Why do we buy gold at all? Is it because some still believe the myth that "Gold has been money from time immemorial?" This, of course, is not supported by the facts for, with the exception of less than one century, gold throughout history has been but the hoard of the very few rich. The money of the masses was always silver. For instance: The Pound Sterling was one pound of silver .925 fine. The French word for money always was, and still is, Argent - Silver. The Spaniards have two words for money, in Spain it is Dinero, a word unrelated to gold, while in Latin-America it is Plata, Spanish for silver.

The gold standard has had but a very short life. England renounced Bi-Metallism and adopted the Single Gold Standard in 1816. Germany followed suit in 1872, the Latin Union and the United States joined the movement a year later. The consequent demonetization of silver, by destroying the gold equivalence which bimetallism had created, reduced the metallic reserves required by the system of credit which is now universal and whose phenomenal growth continues to be speeded by the development of communications and transport. As a result, gold today constitutes but the pin-point of an inverted pyramid of currency and credit and its monetary usefulness has dissolved despite all attempts to restore it.

Deplores I. M. F.

From the Gold Coin Standard we've gone to the Gold Exchange Standard, then the Gold Bullion Standard, finally the International Monetary Fund, an utter failure recently turned into another lending agency—as though we needed still another lending agency! One has but to glance in any newspaper at what the International Monetary Fund facetiously calls the "Official" rates of exchange followed by the "Free Currency Rates" which, though often called "Black Market Rates" actually represents a truer picture of real exchange values. Not so the "Official" or pegged rates which all circumvent who can. The sooner we scrap the International Monetary Fund, and rid ourselves of the army of bureaucrats needed to enforce its regulations, the sooner we shall face realities and act accordingly.

Provides Foreign Aid to U.S.S.R.

There is another angle of approach to the problem of gold, and a most important one. Because of the Communist threat to the free world, we taxpayers are called upon to contribute vast sums for armament. Defense expenditures listed in the Federal Budget constitute the largest item of all. But there exists an unlisted item, invisible to the taxpayer's naked eye, which adds heavily to his burden. Despite its obviousness the existence of this item appears unsuspected by our authorities, for no sign of it whatsoever can be traced to our Treasury. That item is the "Foreign Aid" we extend to Russia: Under the terms of the International Monetary Fund, Harry Dexter White's legacy to the country he betrayed, the Treasury is obligated to buy gold at $35 per fine ounce **regardless of origin.** Russia is far too intelligently managed to look upon gold as anything but a commodity. She publishes no figures of her gold production or consumption. She is known to be the second, if not the first, largest gold producing nation, while through slave labor, she certainly is the lowest cost producer. We know the extent of her gold exports to free nations but she throws no light on the amounts she uses for economic and political penetration in many lands. Her success in penetration would suggest that gold in no mean volume is used to open doors and keep them open. Russia does not ship gold directly to the United States; she ships it to England, to Switzerland, and to other countries which, in turn, affix their own seals on the yellow bars which then become acceptable to our Treasury. That is how we buy gold **regardless of origin.** That is how, through our $35 price guarantee, we give "Foreign Aid" to Russia and then bewail the disastrous impact on our economy of Russia's growing international trade.

The scantiness of the stocks of gold in monetary use has been the basis for loud and repeated demands for an advance in its guaranteed fixed price by the United States. The favored argument, emanating principally from the gold producers, is that the price of gold should be "adjusted" to the price level of other commodities. Disregarded is the fact that the prices of commodities are determined by supply and demand while the price of gold is arbitrarily and uneconomically fixed. But, assuming that we were senseless enough to yield to this propaganda, who would profit by our action? To a very small extent the marginal producers such as Canada, Mexico, Peru, Australia. But the real gains would go to Russia and to South Africa which, together, are responsible for an overwhelming proportion of total world production. Rating South Africa's role as a contributor to the general world economy, we find that this small country's chief exports, gold and diamonds, are strictly non-essentials. The case of Russia is totally different. Sworn enemy of the free world Russia is a threat to its peace and well-being. Hence to promote her inroads into the free nations is as disastrous as it is senseless.

Wants Gold in Free Market

Like all other commodities gold belongs in the free market. Instead of worrying about our recent losses of gold "reserves" we should encourage this movement and let any nation willing to pay for it have our share of this near useless commodity. Our Treasury can then buy or sell gold only when, if and as it suits our interests, not otherwise. Only 30% of world gold production goes to industry; what proportion of the balance goes to hoarders everywhere is problematical. Suffice to say that, without Uncle Sam's minimum price guarantee, hoarding will assume a different outlook. Today it is expensive in that it entails the paralysation of the capital involved plus the cost of storage; if to these is added the speculative risk, heretofore unexisting, of a lack of minimum price guarantee, we may well see gold selling below its cost of production.

Prefers Free to Fixed Exchange Rates

It is time we adapted our monetary and exchange policies to present day conditions, deciding whether balance or fixity bring about true stability. We do welcome the balance resulting from supply and demand in our commodity and security markets; why, then, not extend this sound principle to our foreign commerce which is but a fraction of our total trade. Or shall we continue, through pegged exchange rates, to readjust our own price level to that of other countries in disregard of wage and cost differentials? Free exchanges alone can bring balance in international payments positions permitting us in time to do away with tariffs, quotas, subsidies and controls of every kind.

Another problem which requires solution is that of our lack of control over the circulation of U. S. currency notes outside our borders. For these were created to serve as media of exchange for the people of the United States, not as the tools of alien hoarders and tax evaders nor, least of all, as instruments for the promotion of the trade of the enemies of our country. Neither Russia's Ruble nor Red China's "People's Yuan" have any market outside the Communist orbit hence, in addition to Russia's gold, they make use of our notes. In the Paris, Zurich and other free markets the greatest demand for our notes originates from Russian and Chinese agents, and this demand is far greater than generally realized. Self-protection demands that we recognize the power of our dollar and so regulate its movements as to serve the best interests of our country.

An absurd belief is gaining currency among many, namely, that Russia's large and growing gold production may result in her establishing a gold convertible Ruble thus threatening the West's preponderence as the world's financial centers. In Russia there exists no banking system outside

the State's own institution. Her past manipulation of the Ruble—one for ten on the last occasion—is not likely to instill confidence in the Ruble as an international medium of exchange, nor is a Ruble Bill of Exchange likely to be accepted by any but those held in Russian bondage. Moscow is very far from becoming a leading discount center.

In conclusion it should be borne in mind that gold has nothing whatsoever to do with the value of our dollar. That value is determined solely by the Fiscal and Credit Policy of our government and by the international payments position of our country.

End to Declining Corporate Profits Reported

Compared to previous quarter, First National City Bank finds decline in corporate profits was checked in the second quarter. Also concludes from cash dividend rate, which is down less than 1% from a year earlier, that corporate retained earnings to finance growth suffered a sharp drop.

The First National City Bank of New York reports in its "Bank Letter" for this month that half-year corporate reports indicate the decline in profits was checked in the second quarter.

The "Bank Letter" goes on to state: "reports issued to date by 809 corporations show combined net income after taxes in the second quarter of $2,233 million, a decrease of 28% from the second quarter of 1957 but practically unchanged from the first quarter of 1958. The number of companies reporting second quarter decreases as compared with last year exceeded the increases by two to one, but as compared with the preceding quarter the gains outnumbered the declines by five to four.

"For the first half year, combined net income of $4,465 million was 30% under the same period last year, with decreases predominating two to one.

"In manufacturing, the total net income of 592 companies in the second quarter was down 34% from a year ago, but about the same as the first quarter of 1958. Industry groups registering improvement this year in the second quarter over the first, although running well below 1957 levels, include tires, paper, chemicals, cement-glass-stone, steel, electrical equipment, and machinery. For food products and tobacco the group totals show gains in both comparisons.

"Exceptions to the general pattern of gains over the first quarter include the petroleum refiners, which experienced price weakness, and some of the major automobile producers, which curtailed production sharply to match lower demand. Excluding those two important industry groups, quarterly net income this year of the other manufacturing companies reporting rose 16%.

"The table gives the changes by industry groups. In lines other than manufacturing there was continued year-to-year growth in both operating revenues and net earnings of electric, gas, and telephone utilities, whereas declines were experienced by most railroads.

Changes in Sales and Costs

"The fact that over half of the reporting manufacturing companies were able this year to increase their earnings from the first to second quarters reflects a wide variety of favorable factors revealed by the figures or commented upon in the corporate reports. In some cases the improvement was based upon an expansion in dollar sales billed, which represented—particularly in the case of consumer nondurable goods producers—a continuation of their long-term growth despite the general business recession. In other cases increased sales came from special selling drives, or from the introduction of new and better products. In still other instances the increase in sales between the first and second quarters could be attributed to the usual seasonal rise that occurs in the demand for products such as building materials and equipment and construction machinery.

"Even where second quarter sales did not increase over the first quarter, some companies were able to better their net earnings—as a result of new plant and equipment bringing about a lowering of production costs, or else through programs by management to reduce operating and overhead expenses. A minority of companies were able, through bigger sales or lower costs, to achieve second quarter earnings exceeding even those of a year ago—in contrast with the generally downward trend.

"Where second quarter earnings were lower, as compared with either the preceding quarter or with a year ago, the most frequently mentioned causes were slower sales and high, inflexible costs. In some cases earnings declined in the face of increased sales. Many companies cited such factors as higher depreciation charges, research expenditures, unseasonably cool or wet weather, forced reductions in selling prices, intensified competition, foreign imports, obsolescence of older products, strike interruptions, and cutbacks of government contracts.

"The automobile companies' suppliers were affected by the curtailment in both passenger car and truck production this year. Most steel companies, operating at much lower rates than last year, enjoyed some pickup in demand during the second quarter, but during July had to pay a wage increase without having any compensating advance in selling prices. Petroleum company earnings suffered this year by comparison with the temporary boom in the first half of 1957 brought about by the Suez closing, as well as from the downward drift of product prices, although such prices recently have firmed as heavy demand continues and excess inventories are worked lower.

"The over-all effect of these mixed changes for all the manufacturing companies reporting sales figures for the half year was a combined sales total 13% under that for the first half of 1957. The much sharper drop in net income already noted, amounting to 35% was the usual consequence of shrinking volume and squeezed profit margins. For the group as a whole, the average net profit per dollar of sales was narrowed from 7.0 to 5.2%.

Dividends More Conservative

"Publicly reported cash dividend payments during the first half year were down less than 1% from a year earlier, as reported by the U. S. Department of Commerce, against a rise of 2% in the year 1957 over '56, and 8% in 1956 over '55. With corporate earnings off substantially from last year, the maintenance of the flow of dividends indicates a sharp drop in the income retained to finance growth.

"Some companies have continued to pay regular dividends even though not earned, or earned by only small margins, in hopes that a business pickup will warrant maintaining the same rates. If this recovery should not occur, further dividend cuts would be expected. The leveling off in the earnings decline in the second quarter, together with the upturn in key business indicators, should tend to encourage concerns which can afford to do so to avoid disturbing regular rates pending further clarification of the outlook."

NET INCOME OF LEADING CORPORATIONS FOR THE SECOND QUARTER AND FIRST HALF YEAR

(In thousands of Dollars)

No. of Cos.	Industry Groups	Reported Net Income: Second Qr. 1957	First Qr. 1958	Second Qr. 1958	% Change from: Second Qr. 1957	First Qr. 1958†	Reported Net Income First Half Year: 1957	1958	% Change
47	Food products and beverages	$83,820	$75,060	$84,413	+ 1	+12	$157,302	$159,474	+ 1
11	Tobacco products	45,213	47,289	55,751	+23	+18	81,058	103,040	+27
28	Textiles and apparel	15,346	10,440	8,472	—45	—19	35,769	18,912	—47
8	Tires, rubber products	19,717	12,529	15,373	—22	+23	41,900	27,899	—33
29	Paper and allied products	48,116	37,231	39,152	—19	+ 5	96,726	76,385	—21
32	Chemical products	174,991	111,418	123,310	—30	+11	347,494	234,729	—32
27	Drugs, soap, cosmetics	53,933	65,887	56,308	+ 4	—15	116,654	122,197	+ 5
35	Petroleum products and refining	697,903	522,035	443,666	—36	—15	1,456,216	965,704	—34
52	Cement, glass, and stone	101,760	45,951	83,315	—18	+81	178,098	129,273	—27
34	Iron and steel	311,526	130,654	173,881	—44	+33	633,256	304,533	—52
27	Electrical equipment, radio and TV	101,882	81,988	88,304	—13	+ 8	209,804	170,294	—19
44	Machinery	87,562	55,664	70,376	—20	+26	168,143	126,038	—25
109	Other metal products	193,807	121,245	130,907	—32	+ 8	388,604	252,147	—35
32	Automobiles and parts	369,223	214,021	146,107	—60	—32	814,851	360,129	—56
28	Other transportation equipment	60,238	45,276	37,317	—38	—18	112,686	82,593	—27
49	Miscellaneous manufacturing	73,555	47,871	62,534	—15	+31	133,531	110,406	—17
592	Total manufacturing	2,438,592	1,624,559	1,619,186	—34	----	4,972,092	3,243,753	—35
24	Mining and quarrying	40,919	25,642	22,355	—45	—13	81,473	47,997	—41
23	Trade (retail and wholesale)	29,632	28,076	30,882	+ 4	+10	58,526	58,956	+ 1
20	Service and amusement	16,815	13,395	14,571	—13	+ 9	31,132	27,985	—10
53	Railroads	167,242	36,644	90,681	—46	----	324,150	127,325	—61
84	Electric power, gas, etc.	199,518	279,889	212,008	+ 6	—24	459,814	491,896	+ 7
3	Telephone and telegraph	223,473	223,024	243,580	+ 9	+ 9	446,817	466,604	+ 4
809	Total	$3,116,191	$2,231,229	$2,233,263	—28	----	$6,374,004	$4,464,516	—30

†Increases or decreases of under 1% or over 100% not computed.

Hammill, Bosworth Formed

WILLIAMSVILLE, N. Y. — H. Bernard Hammill, Jr. and Daniel E. Bosworth have formed Hammill, Bosworth & Co., with offices at 15 Rock Street, to engage in a securities business. Mr. Hammill was formerly a partner in Forrest, Hammill & Co.

Mutual Funds of L. I.

FRANKLIN SQUARE, N. Y.—Fred Kornfeld is engaging in a securities business from offices at 600 Hewlett Street under the firm name of Mutual Funds Co. of Long Island.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government bond market is putting on a performance which indicates that the easy money policy of the monetary authorities is being shelved for one which has as its objective the slowing down of the inflation and boom psychology. It is evident from the action which has been taken to limit the uptrend of the equity market (margins were raised from 50% to 70%), that the powers that be are very much more concerned with developments which have taken place outside of the money market than they are with those which are going on in the market for fixed income bearing obligations.

The sale of Treasury bills by the Central Banks to offset the purchases of the refunding obligations has increased the yield on the most liquid Government obligation. The uptrend in the return on short-term Governments brought with it an increase in bankers acceptance and commercial paper rates.

Fixed Income Obligations Under Pressure

The Federal Reserve Board last week raised margin requirements on purchases of common stocks from 50% to 70% in an attempt to prevent speculative excesses in the market for equities. This is a reversal of the policy which has been in effect in the common stock market since the middle of last January. This tightening of credit as far as the equity market is concerned, is evidently part of the program which will mean higher margin requirements with advancing common stock prices and lower margin requirements with lower stock prices.

This attempt to slow down the inflation psychology, as expressed in the strong uptrend in the equity market, has not been a favorable force when it comes to the action of Government bond market or for that matter, all of the markets for fixed income bearing obligations.

The money which has been going into the common stock market is in no small measure at the expense of fixed income bearing obligations, because the feelings and opinions around are very strong that inflation is again in the ascendancy and one does not hedge against the loss in purchasing power of the monetary unit by making commitments in long-term Government bonds.

Is This an "Orderly" Market?

The very large Government deficit, along with the higher wage and higher price spiral, is creating a psychology that does not build an atmosphere which is making it easy to sell Government bonds in order to get the funds that are needed to meet the ordinary expenses of the Treasury. Even though there will be no financing by the Treasury before early October, the market for Government securities has been very much on the defensive and there is nothing very tangible yet in the way of help from the Central Banks.

It was indicated that the Government bond market would be kept orderly by the Federal Reserve Banks, and that may be the case now, but consistent declines of half a point to a point or more in certain issues does seem to have at least a minor tinge of being out of the ordinary (if not a panic). Most money market specialists had not been looking for a sharp upturn in the quotations of Government obligations with the advent of protection by the Central Banks. On the other hand, it was not expected that new lows would be continually registered in these issues following the abandonment (if only temporarily) of the "bills only" policy.

Easy Money Policy Coming to an End

Accordingly, it seems as though not a few money market followers are putting two and two together now and are coming up with the answer that, because of the pressures of inflation or the coming boom in business, the policy of easy money is on its way to limbo. Even though the Treasury is caught in the middle with a growing deficit that must be financed, it will have to be done in a higher money market with the bulk if not all of it being raised through the sale of short-term obligations, which may keep down somewhat the cost of raising this new money. To be sure, a strong and rapid business recovery could mean a smaller deficit for the Government and this would cut down the amount of new money the Treasury would have to raise.

Emphasis on Liquidity

In spite of the weakness in long-term and intermediate-term Governments, funds are being transferred from these obligations into the short-term more liquid issues because of the belief that greater protection is available in the near-term securities. This kind of switching proved profitable to those that carried it out when interest rates started to rise in not distant past.

Bateman, Eichler Co. Celebrates 25 Yrs.

LOS ANGELES, Calif. — Bateman, Eichler & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange, are


Rudolph Eichler Henry M. Bateman

celebrating the 25th anniversary of the firm's founding.

Officers of the firm are Rudolph J. Eichler, Chairman of the Board; Henry M. Bateman, President; Willard G. De Groot, Executive Vice-President; John L. Devlin, Henry F. Mills, Harold H. Butterworth, Earl W. Fisher, Franz Osthaus, Clarence A. Walter, Richard M. Allen, Charles D. McLean and Walter Landor, Vice-Presidents; Harry Stemper, Secretary and Treasurer, and Vera McKee, Assistant Secretary and Assistant Treasurer.

White, Weld & Co. To Admit Partners

On Sept. 1, White, Weld & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, will admit Jacques Appelmans of Zurich, Robert L. Genillard of Caracas, Harold Mandelson, Philip M. Neagle and Frank J. Ritger to partnership. On the same date Roland M. Hauck and E. Jansen Hunt, general partners in the firm will become limited partners.

Peter Madia Opens

SEASIDE HEIGHTS, N. J.—Peter Madia is engaging in a securities business from offices at 318 Hamilton Avenue.

Wendell Norris Opens

TRENTON, N. J.—Wendell H. Norris is conducting a securities business from offices at 63 North Hamilton Avenue.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Several years ago this space contained a break-down of assets of a number of leading fire-casualty insurance companies for the year-end dates of 1946 and 1955. Herewith is a similar schedule showing a similar distribution of assets of these companies for 1948 and 1957.

Of course, in that period there was a pronounced shift of emphasis away from cash and United States Government bonds. Bonds exclusive of U. S. Governments showed, in most cases, an even greater proportionate shift.

In a great majority of cases "bonds exclusive of governments" meant state and municipals. In numerous instances holdings of preferred stocks were shortened up proportionately; and the 1957 figures show in most cases a greater holding of equities.

At the earlier date we had just wound up the war, and it is probable that many institutional investors were still government-bond conscious, for they had had to share heavily in the financing of the war. Then, by 1957, not only was the war well behind us, but we had been through the bull market of the 1950's and investment officials' minds had turned from fixed income media to "growth" stocks. And here it is well to observe that, insurance investment departments being among our abler and more perspicacious judges of investments, a look at many insurance company portfolios will reveal excellent lists of the better blue chips and stocks that, pricewise, have justified their inclusion in the lists.

Another factor that made for changes was the legalizing in many states of multiple-line writing. From the early days of insurance there was a separation of fire writing companies from casualties. Neither group was permitted to write the lines of the other. Now, however, most states permit multiple-line business, and as a result fire companies go heavily into the casualty field, and casualty companies cross over into the fire lines. This could exert some influence on portfolios, as generally speaking, the portfolios of the pure casualty companies differ from those of the out-and-out fire-ocean marine carriers. It is probable that the trend of increases—proportionate—in state and municipals came into the picture here to a greater or lesser degree.

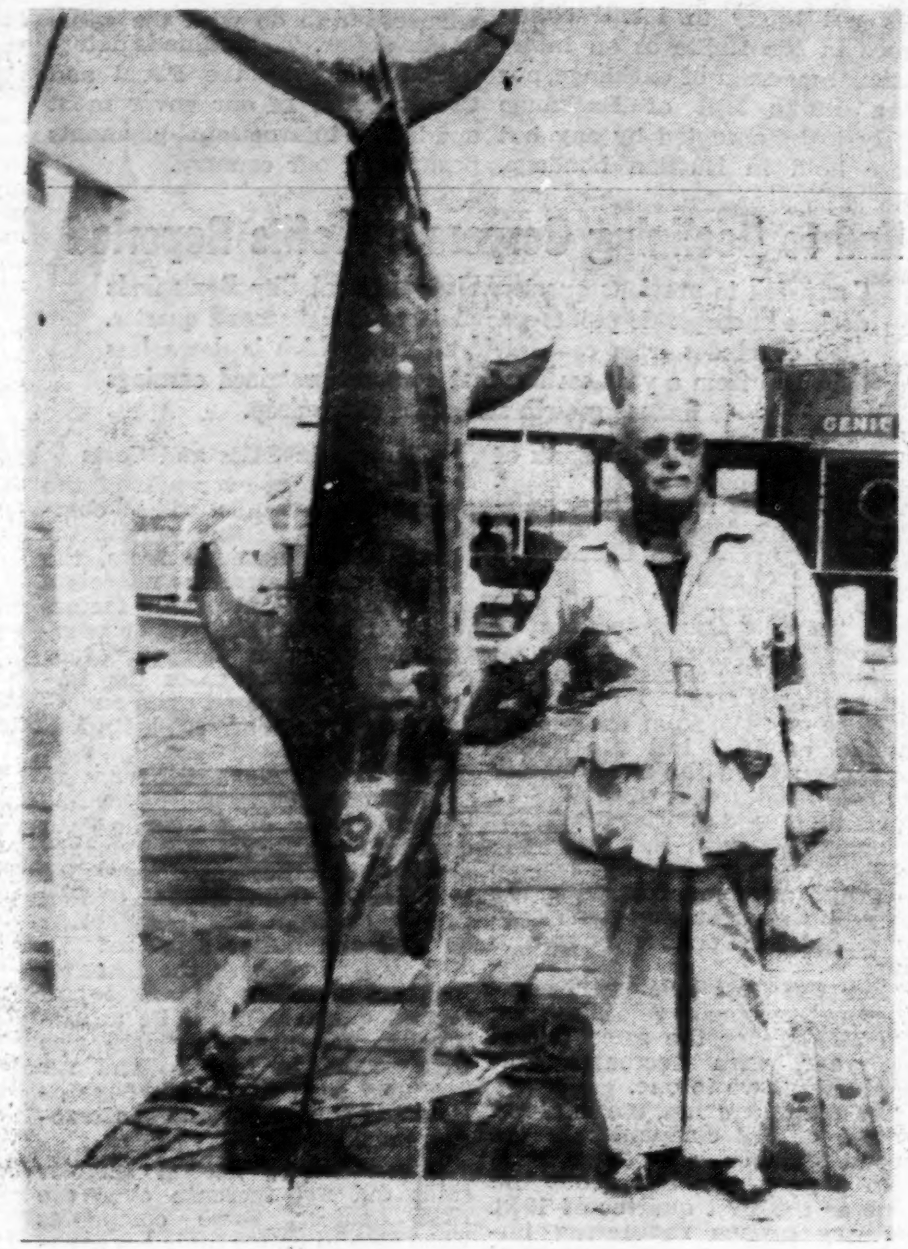
Another item is that of income. The tendency to shift from bonds to equities brought the companies somewhat better income, although just now the yields of the two groups are nudging closer. But while the shifting from high grade bonds to common stocks was in progress, so was the betterment in yields on the companies' funds.

But, growth stocks being favorites of so many investors, it is probable that they will continue to represent sizable positions in insurance portfolios. Insurance companies seldom do wholesale jettisoning of their holdings.

One insurance executive, when asked by the writer how he could ever hope to sell off the huge blocks of common stocks held, replied that his company had no thought of wholesale selling during a panic or depression. He said that as the successive major highs were always higher, and the successive major lows higher, their purpose was served in the long term by more-or-less standing pat.

			Bonds	Realty	———	Stocks	———
	Cash	Gov'ts	Exclus. Gov'ts	Mtgs. & Loans	Ins.	Pfds.	Others
Aetna Gasualty							
1948	6.5%	50.5%	17.8%	1.2%	1.4%	8.6%	14.0%
1957	2.9	8.5	58.1	0.4	5.0	4.5	20.6
Aetna Insurance							
1948	10.0	47.9	6.3	2.1	19.2	1.0	13.5
1957	4.6	16.4	31.9	4.9	17.3	0.2	24.7
Agricultural							
1948	19.5	24.9	15.2	14.0	10.0	7.0	19.4
1957	4.6	15.2	29.5	6.8	10.0	5.7	28.2
Amer. Insurance							
1948	8.8	37.4	1.5	4.3	9.1	18.1	20.8
1957	3.9	18.1	24.9	2.2	18.3	7.4	25.2
American Surety							
1948	12.1	45.8	5.3	13.1	10.5	1.2	12.0
1957	6.1	38.7	21.8	10.7	6.1	3.7	12.9
Bankers & Ship.							
1948	18.2	59.1	0.6	---	---	2.9	29.2
1957	4.6	50.2	6.6	---	---	4.1	34.5
Boston Insurance							
1948	9.3	20.0	20.9	2.0	20.1	11.7	16.0
1957	5.7	9.4	29.8	1.1	15.0	6.0	33.0
Continental Gas							
1948	14.7	40.0	20.3	3.9	5.5	6.1	9.5
1957	7.4	16.1	37.5	3.9	14.1	1.6	19.4
Continental Ins.							
1948	3.7	21.5	15.8	0.1	23.0	6.4	29.5
1957	2.1	21.4	37.5	3.9	14.1	1.6	19.4
Ins. Co. N. Amer.							
1948	6.7	19.3	4.1	2.2	22.5	13.0	27.2
1957	4.0	13.2	8.1	1.2	26.3	6.5	40.7
Merchants Fin.							
1948	9.3	25.6	1.7	0.5	25.7	9.6	27.6
1957	3.3	15.3	18.7	---	23.0	---	39.7
National Union							
1948	10.0	39.1	18.2	2.4	8.6	12.7	9.0
1957	5.1	16.2	38.9	1.3	9.9	---	28.6
New Hampshire							
1948	7.5	31.4	13.6	0.7	14.3	7.0	25.5
1957	2.8	18.8	30.0	3.5	14.0	3.7	27.2
Northern Ins.							
1948	19.9	20.2	3.8	0.9	13.5	6.7	35.0
1957	11.0	10.1	23.5	2.5	11.2	8.9	32.8
North River							
1948	10.6	53.4	2.9	0.1	---	6.1	26.9
1957	5.3	27.9	19.0	---	---	4.7	42.1
Pacific							
1948	8.1	51.8	0.7	---	10.9	2.4	26.1
1957	3.6	37.2	4.5	---	13.4	2.6	38.7
Phoenix							
1948	6.6	19.4	10.1	0.8	38.3	8.6	16.2
1957	3.0	12.1	16.8	2.9	34.1	0.9	30.2
Prov. Washington							
1948	11.2	33.7	11.2	5.1	9.9	11.3	17.6
1957	5.1	26.8	36.9	6.2	---	9.8	15.2

Meet the Winner—Henry J. Simonson, Jr.



During a week when relatively few broadbills were in evidence in local waters, Henry J. Simonson, Jr. landed this 173-lb. beauty, Wednesday, Aug. 6 about 60 miles off Montauk Point, Long Island. Hooked on the first strike, it was landed 50 minutes later after a furious battle which split Mr. Simonson's harness and required him to be held down in his chair by a companion. It was taken on board The Hunter, skippered by George Grathwhol. Mr. Simonson is President of National Securities & Research Corporation, New York City.

Hails Study of Full Employment Act

Guaranty Trust suggests six "cardinal points" to reduce the inflationary potential of the Employment Act of 1946. Hails current Congressional inquiry of the Act for giving due regard to other Governmental responsibilities.

Growing official recognition that the objectives of the Employment Act are ideals, rather than governmental guaranties, was hailed by Guaranty Trust Company of New York as reducing the inflationary threat of full-employment policies.

Realistic interpretation and administration of the Act now under Congressional inquiry involve due regard for other responsibilities the Government must fulfill, the bank said in the August issue of its business and economic review, "The Guaranty Survey". One of these, it pointed out, is to maintain a sound and stable currency.

"Production, and hence employment, depends upon the demands of buyers, and in an economy of individual choice, government cannot directly regulate the behavior of the millions of consumers and investors who buy the products of industry," the "Survey" said.

Government can affect demand to a major extent only by manipulating the money supply; that is, by inflating or deflating the currency, the bank noted. In practice, it said, this almost invariably means inflation.

Guaranty expressed hope that the inflationary potential of the "full-employment commitment" may be minimized if not completely eliminated by recognition in authoritative quarters of these cardinal points.

Six Cardinal Points

That practical reconciliation of the objective of "full" or "maximum" employment with that of stable money is a still unsolved problem.

That the Employment Act is not intended to guarantee any fixed level of employment and does not require or authorize the Government to subordinate other objectives to that of "full" or "maximum" employment.

That high levels of production and employment depend primarily upon natural market adjustments and cannot be permanently maintained by fiscal or monetary manipulations.

That progressive currency depreciation tends to defeat rather than promote the long-term objectives of the Employment Act.

That booms beget recessions, and hence recessions can be avoided only to the extent that booms are avoided.

That the practical danger in the Employment Act arises from (a) the demand for perpetual boom by fiscal monetary manipulation and (b) the "built-in" market rigidities and inflationary pressures under which the Act has been and is being administered.

Securities Salesman's Corner

By JOHN DUTTON

"WHOA Daniel!"

When I was a boy back in Ohio the farmers used to drive into town on a Saturday and the main street of our village would be packed with horses tied to hitching rails and their buggies and wagons were strung out behind them. Every once in a while one of Henry Ford's early model "Flivvers" would rush by at the gosh awful speed of 20 miles an hour and one of the more skittish and nervous mares would rear up and nearly rip the tether rein from her moorings. When this happened, invariably some farmer would turn and grab the scared horse near the bit, and he would half croon and half command with a "Whoa Daniel, Whoa Daniel," and sure enough, whether that horse was male or female, old "Daniel" would calm down, shudder a bit, wheeze a little, and go back to his or her dozing on the hitching rail.

Time to Grab the Bit

Possibly by the time this piece reaches the pages of the "Chronicle" old "Daniel" stock market may have quieted down a bit but one thing is certain, it is going to take more than words, cajoling, or the recent utterances of the President to control inflation in this country. Since 1932 we have been manufacturing more and more bank money by selling billions of government bonds to the banking system. Everytime there has been another deficit we have added to our money supply. The underlying upward surge of this stock market is a direct reflection of (a) A widespread conviction on the part of investors and speculators that money is losing its value at an ever increasing rate and they believe it will continue to do so. *The words of a President mean little when the facts of a $12 billion deficit stare you in the face* and a wildly profligate Congress adds hundreds of millions to an already bloated defense appropriation bill. (b) The capital gains tax has frozen billions of dollars worth of common stocks in bank boxes that under conditions which existed prior to this unsound and unfair tax upon capital would have come into the market. Tremendous sums of idle dollars (created by years of government profligacy, waste, deficits, and extravagance) now are rushing into the stock market and the large supply of dollars is shoving the price of available stocks upward and upward.

Bull Markets Generate More Public Participation

The raising of margin requirements in such a situation is at best very ineffective as a deterrent to stock speculation. As the surge of uneducated wide-spread public participation in a bull market carries stocks upward, tipster services add fuel to the fire. In this day and age of rapid communication, with radio broadcasts given over several times during the day to stock quotations; and magazines, newspapers, and even the TV giving more and more space and time to the gyrations of the stock market, an ever increasing psychological urge to "get on the bandwagon" is generated. True it is that the thinking of the public is the best indication of what the stock market will do from day to day, rather than the statistics that indicate real values.

During the past week I made a check with several customers' representatives on a busy day. Every one told me they had practically no selling orders from their individual clients. The preponderance of buying orders from the lay public was 20 to 30 to one. One very reliable broker friend of mine told me that a customer called him and excitedly asked him to buy her 100 shares of a leading motor stock because one of her friends told her that she had just received a long distance telephone call from an other customer's representative that this stock should advance 30 points in the next 60 days. These things, unfortunately, happen and they are symptomatic of an increasing fever of speculative activity that is not healthy.

Yet, all this unsound stock market speculation is rooted in the basically inflationary policies of the Federal Government. Such legislation as the Wagner Act opened wide the door to labor monopolies, closed shops, checkoffs of union dues to gangster controlled unions. They in turn used their uncontrolled power to drive wages constantly upward by threats of industry-wide and individual company strikes that has had management powerless to resist. Even greatly improved machinery has not resulted in sufficient production to compensate for the sharply accelerated rise in man-hour wages throughout industry. What could we expect but higher prices? Who is surprised about gangsterism in labor — except the Congressmen who created the climate for it to grow into a national cancer?

The drop in automobile consumption, steel tonnage, and generally shrinking profit margins, plus unemployment, are the end results of high prices, high taxes, unsound labor legislation as well as too much chrome, fins, and horsepower that 1958 cars offered to the public.

Inflation Can Also Be Deflationary

During every period of rapidly rising costs the profit margins of industry are variously affected. Some companies will show lower earnings, others losses, and those in a weak financial position may be faced with extinction. Neither does the stock market go up in a straight line to infinity. The waves of public enthusiasm to buy stocks will be tempered by periods of disillusionment and sharply falling prices. Only the most astute and nimble of stock traders will emerge from such a situation with a partly whole hide when inflationary forces take hold in earnest. I doubt that the dollar will be depreciated seriously for some time to come — surely not before Christmas, 1958, at any rate. Yet, many amateur stock speculators will rush into overvalued stocks once again at a time when those who had the foresight to buy last February and March will be glad to take their long term, over six months, capital gains. This has happened before, and even though I am far from an expert market diagnostician, I wouldn't want to bet against the short-term swings in this market duplicating past performances in this respect.

And As for Controls

Last week the President again warned against the use of Federal wage and price controls. Yet a western Senator was quick to rush just such a bill forward and he represents the same left-wing, New Deal, Fair Deal "Americans for Democratic Action" group (the Stevensons, the Mrs. Eleanor Roosevelts and all the rest) who are the remnants of the confused New Deal socialists, who under F. D. R. laid the foundation for the chaotic and difficult inflationary situation that this nation is now facing as an actuality.

Whether or not leadership in Washington will be forthcoming that will be able to exert sufficient influence on the great mass of our people (who do not understand the true causes of our present dilemma) is very doubtful. It is certainly long past the time when articulate people in the professions, business, *and certainly in finance*, can afford to offer optimistic platitudes about our great wealth, productive capacity, and such things as gradual inflation at the rate of three percent a year being something we can well digest. Certainly the Russians (as immature and neurotic as are their leaders) are very much aware of this nation's Achilles heel and they are making the most of exploiting it. Capitalism must eventually destroy itself through currency depreciation which is the result of unsound, Socialistic labor policies, governmental extravagance, and iniquitous taxation (existing here today in the steeply progressive income tax, inheritance taxes, capital gains taxes and 52% corporate income taxes) which were initiated by President Roosevelt's New Deal, and has been kept alive by the Administration of Mr. Truman, and only slightly modified in some respects, and magnified in others, by this Administration.

* * *

This column does not claim to be an expert on the market, nor do we feel we have the answer to all these weighty problems, but with the kind indulgence of the editor of the "Chronicle," it is our hope that the opinions expressed here may find some agreement among those in the financial community who have influence in Washington and other places where public opinion and policies are motivated. As we see it, we must come to grips with such problems as deficit spending, monetizing the debt through the sale of billions of dollars worth of short-term governments to the banking system, unsound labor legislation and the long delay in achieving a thoroughly objective study of our taxing system and a complete set of reforms in this highly important area of our national life. Otherwise, inflation will not be controlled without the loss of freedom itself.

Saks Opens Office

Howard J. Saks is conducting a securities business from offices at 100 William Street, New York City. Mr. Saks was previously with Bache & Co.

Form Sec. Enterprises

WICHITA FALLS, Tex.—Security Enterprises, Inc. has been formed with offices at 2000 Harrison Street to engage in a securities business. Officers are Truman K. Pennell, President; Kenneth Johnson, Vice-President; and Alva D. Luffman, Secretary-Treasurer.

R. C. Smith Opens

SEBREE, Ky.—Rollan C. Smith is conducting a securities business from offices at 121 South Church Street.

Rudd & Co. Branch

SILVER SPRING, Md.—Rudd & Co. has opened a branch office at 8435 Georgia Avenue under the management of Baruch Rabinowitz.

Henry W. Bull

Henry W. Bull, partner in Bull, Holden & Co., New York City, passed away on Aug. 6.

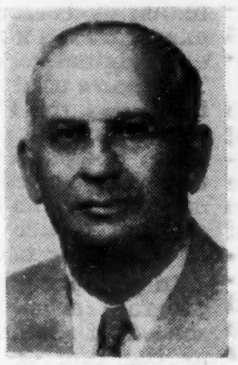
LETTER TO THE EDITOR:

Florida Reader Says Franz Pick Overlooks Other Important Factors

Replying to Dr. Franz Pick's provocative paper ("Chronicle," July 24, p. 9), wherein it was asserted that bonds are "certificates of guaranteed confiscation," Dr. Weidberg finds there is, for example, an oversight in neglecting the corollary to price inflation which is the increase in value expressed in dollars of stocks, real estate, inventories, etc. States Dr. Pick offers no remedy to price inflation and doubts anyone can achieve a cure without totalitarianism.

Editor, *Commercial and Financial Chronicle:*

The address of Dr. Pick before the New York Society of Security Analysts, as reported in the "Commercial and Financial Chronicle," was not only intriguing and challenging but definitely stimulating.



Dr. J. M. Weidberg

That Dr. Pick is probably one of the greatest living authorities on world currency is unchallenged and respected, but possibly he has been concentrating his studies and analysis so definitely on one of the important phases of world economy and specifically our own economy, it may have become an *idee fixe* and make him overlook other important factors. Like the proverbial saying that one sometimes cannot see the trees for the forest, Dr. Pick's oversight may be called respectfully to his attention and very definitely to the attention of the readers who may have become panicky as a result of the hearing and reading of his address.

The first point to recall, and that is certainly elemental, is that money or currency is merely a **unit for comparison of values.** In other words, if one wants to know how many bushels of wheat will buy shovels, one compares the price of shovels in the terms of currency and the price of wheat in terms of currency and thus gains a comparative relationship of values for the purpose of exchange.

Dr. Pick is right, and very much so indeed, when he calls to our attention the definite continued plight of those with fixed incomes, whether in the form of pensions or secured by bonds or mortgages. Of course there is the **constant**, namely, the definite, unchangeable income in terms of dollars, and the **variable**, the constant decrease in the value of the dollar or more exactly the purchasing power of the dollar. One must fully agree with Dr. Pick that a certificate of a bond or mortgage is merely a guaranteed constant depreciation, reducing it in time to zero or to a minus value.

Looks at Another Side

However, when one looks at other phases of capital values, namely stocks, real estate, and inventories, particularly those of durable goods, one sees another picture. Accepting Dr. Pick's percentage of yearly decrease in the purchasing power of 3.1%, one observes an increase in value expressed in dollars of at least that much.

To go as far back as 1930, the increase in value expressed in dollars has been at the rate of over 3% and is continuing possibly even at more than the rate of 6%. So what one loses in the purchasing power of the dollar is more than compensated for by the increased value of the invested dollar, invested in stocks, real estate, etc. (incidentally, real estate values of many rural lands and most growing cities have increased over threefold since 1929).

We cannot disregard the return of most of these capital investments in the form of dividends, rents and even interest, which though subject to the confiscating taxes, still does leave a certain amount of income while the capital is being increased more than decreased in the purchasing power of the dollar.

Deplores Alternatives

Of course, to "return to our sheep," it is definitely regrettable that our dollar buying value cannot be stabilized under our capitalistic economy of laissez-faire. The alternative, something that neither you nor I nor even Dr. Pick would like to see, is an authoritarian controlled economy—reductum ad absurdum, the communistic controlled economy. Our capitalistic laissez-faire economy does every so often restore part of the value of the dollar by a prolonged depression, but notice the emphasis on part. The dollar never gets back to the value of the decade before. All you have to think of is the price of eggs in 1900 and the price of a pound of butter in 1900, which means the purchasing power of the dollar. It may increase its purchasing value by a few cents or a few percentages, but never regains the purchasing power of 10 years before.

Dr. Pick, while expressing regret at the fall of the purchasing power of the dollar and saying in so many words that something must be done about it, does not offer any remedy or course of action, because actually there can be no forcing back the value of the dollar, except in a strangled and authoritarian controlled economy.

Depressions of course are regrettable and unfortunate, but it is part of the make-up or rather the machinery of operation of our free economy. When a person overeats and the overeating is done after a continued plentitude of food consumption, then one is temporarily sick and regurgitates, and then ultimately recovers both his health and his appetite for additional food.

It may be a vicious cycle, but thus far not even the 12 men whom Dr. Pick singles out as the only ones who understand the sickness of currency have discovered a cure for stock recessions, depressions or the constant depreciation of the dollar.

DR. JOSEPH M. WEIDBERG
3511 Flamingo Drive,
Miami Beach, Fla.
August 1, 1958.

Paine, Webber in Gary

GARY, Ind.—Paine, Webber, Jackson & Curtis has opened an office in the Gary National Bank Building with Le Roy B. Murdock in charge.

Thomas W. Mitchell

Thomas W. Mitchell, partner in Lunt & Mitchell, Buffalo, N. Y., passed away on Aug. 4.

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Investment Problems In Decedent's Estates

powers. This is especially true in those estates in which the residuary estate remains in trust. Most inexperienced individual executors are loathe to make investment decisions until such time as developments generate them into action. As a result, the same advantageous investment opportunity may not again be available to the trustee and, indirectly, to the trust beneficiaries.

Some wills contain investment clauses which restrict the executor (and trustee) to certain types of securities. In these estates, the wise fiduciary will confine himself to the areas of investment specified and any departure therefrom will be at his own risk.

Not infrequently, a corporate executor will be administrating an estate wherein the will provides that another person has the power and authority to direct the investment policy and actions of the corporate executor. This individual may also be a co-executor. Such an arrangement should not be taken for granted by the executor not sharing this power of direction. It behooves him to investigate each specific direction the individual exercises and, if there is any reason to believe such action would be to the disadvantage of the estate, he is duty bound to resist complying with the direction. This type of situation poses a serious problem and necessitates a diplomatic but firm approach which, again, only a professional executor can be relied upon to have by reason of his previous exposures to similar experiences.

Sale of Securities

One of the many "first" investment considerations will be the estate's need for cash. Thus not only are the immediate requirements of the beneficiaries to be considered but also the need for cash to pay all taxes and other expenses. Usually the executors are required to produce more cash than the owner of the estate would normally have had on hand.

At the start of the adminstration the executor should prepare a careful estimate of taxes and other costs of settlement. A plan should be worked out so the required cash will be available when needed, and the first investment review of the estate should contain recommendations for sale of securities to provide funds for this purpose.

Investment officers cannot follow any cut-and-dried routine in preparing the investment program for an estate. Each situation is different, and the recommendations which are made for retaining or selling the estate's securities will have to be based upon the individual facts for each case. Among the factors to be considered are:

(1) **Cash requirements of the Estate.** When sufficient cash is not available, some securities may have to be sold, even though they might otherwise be desirable investments. In recommending which stocks or bonds should be liquidated, investment men will naturally pick out for sale those which they think add least to the strength of the portfolio.

(2) **Types of securities.** Some securities purchased for personal investment are not equally good investments for the estate. When sales are to be made, the executors will try to dispose of the holdings which are more speculative and will seek to retain bonds and stocks which are more likely to provide dependability of income and safety of principal.

(3) **The ultimate distribution of the estate.** If the estate is to be distributed to the heirs as soon as it is settled, the investment program of the executors may be quite different than it would be if, after the executorship, a long-range trust is to be established for support of a family.

A living person sometimes has such a large capital gain in the value of a security that he continues to hold it merely for that reason. He is likely to feel that "I can't afford to sell it."

In an estate, however, this situation is corrected. When the executors sell a security, the owner's original cost does not matter. The figure used in computing capital gains (or losses) is the current value as finally settled for death tax purposes. Thus the estate can often advantageously market investments which the original owner had felt obliged to retain for tax reasons.

In preparing the security sales program for an estate that is being settled, it should not be regarded as the role of the executors to gamble upon short-term upward or downward turns of the securities market. It is the executors' duty to select the bonds or stocks to be sold and the timetable to be followed for the best interests of the estate. Then the program agreed upon will be carried out—without holding back or speeding up transactions in an effort to anticipate day-to-day turns of the market.

The comparatively short period in which funds must be raised is an important element. Diligent and experienced trust investment officers can arrive at competent conclusions as to the worth and merit of certain securities from a long term investment viewpoint, but very few would be so daring as to use a decedent's estate in an attempt to "mastermind" the market in assuming an ability to forecast market prices over a short term of months.

Purchase of Securities

Usually, an executor does not purchase securities in a decedent's estate, other than short-term U. S. A. Goverment obligations, if the residue is distributable outright. However, in some jurisdictions, where the residue is to be retained in trust, and the provisions of the will authorize him to do so, the executor may wish to take advantage of existing favorable investment opportunities and make several changes in the estate's security portfolio by selling securities and purchasing others. By so doing, at this early date, he may be in a better position than he would be as trustee, at a later date, to provide security diversification and investment balance for the portfolio and initiate the prompt flow of income to the beneficiaries. Relevant to the payment of income is an income tax element which may create problems and necessitates consultation with the income beneficiaries.

Tax and Other Reserves

Funds which have been raised for the payment of taxes and other purposes in connection with settling an estate may be temporarily invested in short-term U. S. A. Government obligations to provide income pending disbursement and distribution. U. S. A. Government Bills is one example of a "no risk" short-term investment. These may be "rolled over" from time to time and several maturities are available to coincide with the need for funds. Although the rate of return or yield is most modest today (about 90%), there was a time, not many months ago, when this type of investment provided a yield in excess of 3%. The important thing to remember is that your reserve should produce a dollar for every dollar invested when the funds are required.

Agent for Executor

Frequently, a corporate fiduciary is requested to act as agent for an individual executor. It is most important that the Bank remember that it is serving only in an agency capacity and that its function is ministerial. It should be careful to avoid the acceptance of a delegation of discretionary power which only his principal should exercise. It must also be diligent with respect to the powers and authority under which its principal is acting so that, as agent, it will not be placed in the position of doing something which the principal, himself, had no authority or power to do.

Relationships

Someone once said, "Everybody has public relations—success depends upon whether they are good or bad." The Investment Division of a corporate fiduciary is in a very sensitive spot in this area because securities comprise the major asset of most of today's estates. It will, in some instances, be deluged with advice from many sources, some of which will be helpful. However, the Trust Investments Committee of a corporate fiduciary has an aggregate of basic investment knowledge which justifies confidence. It also has experienced and understanding personnel to carry out its decisions and policies. These, together with uncompromising good faith, are the foundations upon which good public relationships are formed. They are also some of the reasons why more people are becoming aware of the fact that the corporate fiduciary is best qualified to serve as their executor and trustee.

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The Corporation's Relationship With Its Owner-Stockholders

The continued existence of a corporation that ought to be liquidated may not even be in the real interests of corporate management. Satisfying careers are not to be found in really decadent enterprises.

Some of the corporate circumstances or management practices that tend to stimulate or induce stockholder dissatisfaction are:

(1) A relatively poor record of earnings and dividends especially during a period of generally good business. When the management is not doing as well as the managements of comparable enterprises stockholders are perhaps justified in believing that a change in control is warranted.

(2) Management or controlling interests that include those who have business relationships with the enterprise, which may be basically in conflict with the interests of the main body of stockholders.

(3) Share prices over a significant period of time at a level below what would seem to be realizable liquidation value, especially when the price of the stock is below the net current asset value per share without consideration of the value of other assets.

(4) A corporate organization that includes some device that seems likely to create an instrument for management perpetuation, such as management voting of company stock held in a pension fund.

(5) A small enterprise which owns assets, processes, patents, etc., or has access to raw materials or markets that may be valuable to a larger company. In some instances the "valuable" assets may be a large carryover tax loss.

From the point of view of an incumbent management it is essential to have ample notice of possible or impending contests for control in order to avoid surprise and to have ample time to plan and carry out a vigorous proxy appeal. In the case of a publicly held company subject to the jurisdiction of the SEC and its proxy rules, this notice will ordinarily come in the form of a request for the stockholder list. But by this time the dissidents campaign may be well advanced. In the case of a smaller company not subject to the SEC regulation, and where there is no plan to formally solicit proxies, the first notice may come at the stockholders meeting:

What are the signs of poor or deteriorating stockholder relations that may point to a control contest? Some of these include the following:

(1) An increase in the number of complaint letters from stockholders.

(2) Persistent rumors regarding the company which appear to have no foundation of fact or source.

(3) An apparent increase in the volume of trading in the stock.

(4) In the case of publicly held companies, an increase in the number of shares held in brokers names.

What are some of the steps that management can take in order to either avoid contests for control or at least to have advance knowledge of such contests? In the first place it should be said that by far the best method is simply to do a good job of managing the enterprise in the sound interests of owners and to supply essential details of the progress of the business currently to the public including the stockholders. Stockholders are discriminating and sophisticated and do not expect the impossible; moreover they are allergic to propaganda and are generally able to recognize it. They do not expect or want trade secrets or other strategic matters to be revealed. The problem cannot be solved by slick tricks or elaborate "stockholder relations" programs. Many corporations have already aroused stockholder ire by over-elaborate slick paper annual reports filled largely with pictures of company products and personnel. Primarily the job is one for management and not public relations counsel. A few suggestions are indicated below:

(1) In the case of publicly held stock, check the number of shares bought and sold against transfers, in order to trace the drift of stock into brokers or "dummy" names.

(2) Prompt publication of frequent financial statements in adequate detail.

(3) Frequent discussion of the company and its plans and prospects by management before such groups as security analysts, bankers, trade groups, or even luncheon clubs.

(4) Conservative although accurate estimate of the company's prospects in public statement. Nothing is quite so productive of stockholder ire as a glowing public report of the prospects of the company followed by poor or mediocre performance.

The Alternatives

The Burnham conception of the emergence of the technical managers of corporations as a new ruling class now seems utterly fantastic. Perhaps it seemed more rational in the economic environment of 1941. Engineers and scientists have been in great demand in recent years of business expansion and improvements in technology, and doubtless will continue to be in demand. But they are not sought as benevolent and kindly dictators.

Corporate managers beset with troubled stockholder relations may find appealing at least a portion of the managerialism of Berle and Means. Such managers may profoundly wish that stockholders would hurry up and abdicate and thus allow corporate officials to go about their proper business. But such managers would not relish the rest of the philosophy. The end result would be inevitably a corporate state with major decisions concerning product development, expansion, wage policy, dividend policy and the like made by government. Indeed corporate managements to whom the idea of stockholder abdication seems appealing would probably be disconcerted if they realized the extent to which the philosophy of managerialism follows the Marxian concept of economic evolution.

The peculiar genius of the free market system is that resources are allocated on the liberal basis of the continuous collective judgment of the people. There is no room in a free market system for a "ruling class" whether that class be made up of technical managers, corporate officials, or bureaucrats and commissars.

This does not mean that corporate managements ought to be interested only in short run profits for stockholders or stock speculators. The long run interests of stockholders require that the corporation be administered in such a way as to advance the general interest; but there need be no pious pretense that corporations are essentially charitable institutions. Indeed it ought to be quite clear that deficit producing corporations cannot advance the general economic interest.

Corporation managements in control and their advisers must choose. The American people will not continue to tolerate a ruling class made up of corporate directors and officials who maintain their control of large aggregations of capital by means of essentially undemocratic election machinery and practices. They must seek to build genuine democratic corporate control by stockholders by abandoning opposition to such reforms as cumulative voting, and cease to support such undemocratic devices as voting trusts, staggered election of directors, and the inside board. The unpleasant alternative is a continuation of the dreary drift to statism in economic affairs.

Bruns, Nordeman Branch

WASHINGTON, N. C.—Bruns, Nordeman & Co. has opened a branch office here with Mrs. Sarah Campbell Elliott as representative.

J. K. Baronett Opens

(Special to The Financial Chronicle)

CHICAGO, Ill.—John K. Baronett is conducting a securities business from offices at 112 South Michigan Boulevard.

Forms Elliott Bradley & Co.

(Special to The Financial Chronicle)

SPRINGFIELD, Ill. — Elliott Bradley has formed Elliott Bradley & Co. with offices in the Ridgely Building to engage in a securities business.

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The Security I Like Best

price. The company has developed the so-called "Zimmermann Process," a system which eliminates stream pollution caused by organic waste, which for four years has been in successful operation at the Hammermill Paper Co. This process is being installed at Norway's largest paper company, enabling this concern to eliminate purchases of fuel which is very expensive in Norway. Its annual savings should amount to about 45% of the total cost of the plant using the Zimmermann Process.

The same process can be used by other industries and especially by municipalities for their sewage disposal. A pilot plant successfully operated for more than one-half year in Chicago and the company is now negotiating a contract with the city for the erection of two Zimmermann Process sewage disposal plants of 50 tons daily capacity each, which could result in substantial savings for the city. The company will engineer the plants and will receive royalties on the tonnage processed by the new plants. Because many cities and industries throughout the world have similar problems, the application of this process has excellent prospects and since the company desires to run this on a royalty basis, it may add very substantially to the company's earnings in the long run. The company has received thousands of requests from interested parties. If only part of this would materialize at the rate of the small Chicago plant, (to cover the total needs of Chicago, 10 times the planned installation's capacity would be needed,) the company's present earnings could easily be doubled.

The shares, without the Zimmermann Process, are attractively priced for a sheltered security. With this process, I consider the shares listed on the New York Stock Exchange, to have dramatic capital appreciation possibilities, thus offering a combination found only too rarely in a good quality stock.

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The Business Outlook

with properly controlling the money and credit system of the United States.

While the Federal Reserve Board Index of Industrial Production was down to 126 in April (1947-49=100) from a peak of 147 and unemployment rose to over five million—prices were still in a gently, but nevertheless definitely, upward trend.

This reflected the problem of attaining a full employment economy without generating inflation. And it has caused the Federal Reserve Board to be very cautious (perhaps overly so) in its moves to make credit and money more readily available and less costly.

Despite some long-term wage contracts calling for wage increases, no big change in prices seems probable this year.

The Inventory Picture

The economy has experienced an inventory recession. Whether the recession will be something more serious depends upon the efficacy of monetary and fiscal measures to be mentioned below. But the nature of the present inventory situation is worth describing now. Inventory changes are among the most volatile of all components of economic activity. The net change in business inventories in 1957-58 has been very similar to that of 1948-49 and 1953-54. In only two years since World War II has the inventory component of the GNP accounts been significantly negative—1949 and 1954. And 1958 is virtually certain to record the largest such figure since the war. It remains to be seen whether this will be the main effect of the 1957-58 recession.

All that can be said now is that this component of the economy behaved as in previous post World War II recessions, and that in and of itself it probably has turned around this year.

Monetary and Fiscal Policy

The critical element in the establishment and promotion of growth in free economies is that of regulation of the money supply and appropriate taxing, spending, and borrowing activities on the part of the government. Economic growth without inflation-distorted wages and prices is the goal of such policy.

The most important element in the money supply today is bank deposits. The agency most directly and importantly concerned with the regulation of the money supply of the United States is the Federal Reserve System. The Federal Reserve System controls the supply, cost and availability of bank credit:

(a) Through the amount it requires member banks (banks you ordinarily deal with) to have on deposit with the System,

(b) Through the interest rate on loans to these member banks (called the rediscount rate),

(c) Through buying and selling U. S. Government securities in the open market.

The Federal Reserve has reduced its rediscount rate on several occasions beginning in mid-November 1957 and has lowered the percentage of reserves member banks are required to keep against deposits. More recently the "Fed" has reluctantly adopted the policy of supporting long-term U. S. Treasury securities as well as short-term governments.

Its action in the buying of U. S. securities (which creates easier money because the "Fed" pays for these securities with its checks) has been less than vigorous. This action would show up in "Reserve Bank Credit" extended, which by March this year had expanded less than in periods of "tight money," partly due of course to a drop in rediscounts but partly due to a cautious policy on the part of the Federal Reserve.

It is clear that the Federal Reserve System is moving in the right direction; it is not clear whether they are moving fast enough.

In the realm of fiscal policy, (spending, taxing, and borrowing activities of the Federal Government) the "turn-around" was clearly called for in the fall of 1957 and the winter of 1958. However, the severe retrenchment on the part of the Federal Government which began in earnest in the second half of calendar 1957 was only reversed with great effort and only this spring began to show up.

In this area, it is interesting to note why some economists argued for a tax cut at an early date. Recognizing that the immediate effect on consumer and business spending might be very small, these economists noted that the deficit which would be incurred is equivalent to injecting new money into the system — which money can in fact be "multiplied" by the commercial banking system. It was argued that this cut could so stimulate business that the government would later retrieve any lost revenues by having a higher tax base.

Of course, the argument against this proposal and for a "steady as we go" policy is that this would be unduly inflationary and the price level would run up more rapidly.

Any near-term recovery which does come about is likely to be moderate. However, there will be a sharp rise in family formation in the early 1960's as a result of the upsurge in births as the nation moved out of the depressed 1930's into the boom of the war period and the prosperity that followed. This will provide the background against which another period of economic expansion could, and probably will, occur.

The Oil Picture

While the nation has been experiencing a business recession, the oil business was having troubles of its own.

Demand has been sluggish for some time. The long-term increase in demand 1935-37) was at a compound rate of about 5½% per annum. But domestic demand has shown hardly any growth for the last two years.

In view of the fact that plant expansion depends upon expected increases in product demand, (accelerator mechanism) one would expect that expansion in refinery capacity would slow down and be in some degree a byproduct of modernization. In fact this is what is happening. A close relationship has existed between capacity and demand and crude runs since World War II. Currently, refining capacity is being utilized at about 80%, as compared with an average of 88% in non-recession years since World War II.

Oil demand is affected by the recession although each product is affected differently. Gasoline, e.g., is fairly impervious to income changes while residual fuel is very sensitive to changes in industrial activity.

Prices of petroleum products have felt the imbalance of demand and supply and declined steadily during 1957 and 1958 but have recently strengthened.

The petroleum industry is recovering from the recession slump and further growth, of course, is expected.

Conclusion

In conclusion, the American economy has passed through a business recession which proceeded somewhat more rapidly than, but in the manner of, those of 1949 and 1954. The recession took the form of an inventory drop in which businesses lived off inventories and production was reduced.

One important distinction between this recession and those of 1949 and 1954 was that it occurred against a background of declining investment in plant and equipment. This makes recovery more difficult.

C. A. Benson Co. Opens

PITTSBURGH, Pa.—C. A. Benson & Co., Inc. has been formed with offices in the Empire Building, to engage in a securities business. Officers are Carl A. Benson, President; Peter A. Lagi, Vice-President. Both were formerly with Anglo-American Securities, Inc.

Three With Inv. Service

(Special to The Financial Chronicle)

DENVER, Colo. — Hubert R. Miller, Josephine E. Miller and Gerald H. Williams have been added to the staff of Investment Service Co., First National Bank Building.

Public Utility Securities

By OWEN ELY

New York State Electric & Gas Corporation

New York State Electric & Gas serves over one-third of the area of New York State, including large farm and dairying sections (mainly in the south central portion) and important resort areas in the Adirondacks and Catskills. Among the large cities served are Binghamton, Corning, Geneva, Elmira, Lockport and Ithaca. However, about 70% of the 1,400,000 population served is outside of large cities.

About 80% of revenues are electric and 19% gas. The residential and rural business accounts for 47% of electric revenues, commercial 20% and industrial 21%. The residential load is considerably above average and with the majority of industries in the lighter categories, earnings show considerable stability. In contrast with its neighbor Niagara Mohawk Power, New York State's earings have increased steadily since 1951.

Sources of electric revenues from industrial customers are well diversified. In 1957 23% of industrial revenues were obtained from fabricated metal products, 10% from glass products, 8% from office equipment, and smaller percentages from footwear, mining, food, drugs and a large number of smaller industries.

Construction expenditures for 1957 approximated $37 million, a record high (while gross additions to plant were slightly larger in 1953, this included certain property acquisitions). Expenditures by the electric department increased 53% and gas 42% over 1956. These increases were due largely to construction of a new 150,000 kw. steam generating unit at the Milliken Station, expansion of gas facilities to serve additional communities, etc. Expenditures in 1958 will be a little lower, being estimated at $35 million; those for 1959-60, with no new generating units scheduled for construction, may average about $26 million a year.

The company sold $25 million bonds in May 1957, and the same amount in February 1958. It still needs about $7.5 million new funds to take care of the 1958 program, and this will probably be raised through sale of preferred and/or common stock around the end of this year or early next year. Should this financing include common stock it is conjectured that the amount might be in a range of 1-for-10 to 1-for-15.

Capitalization as of Dec. 31, 1957, *pro forma* for the $25 million bond issue of February 1958, was as follows:

	Millions	Percentage
Mortgage Debt	$161	50%
Debentures	13	4
Preferred Stock	38	12
Common Stock Equity	109*	34*
Total	$321	100%

*Includes about $6 million representing tax savings from amortization of emergency facilities, and $2 million reflecting tax savings due to accelerated depreciation. If these were excluded, the equity ratio would approximate 31%.

Last year's peak load was 756,000 kw and capability of generating plants approximated 766,000 kw, providing only a small reserve. However, completion of the 150,000 kw unit this fall will improve the reserve. The company expects to obtain an allocation of power from the Niagara River Project now being constructed by the New York State Power Authority, which is expected to begin deliveries around mid-1961. In the interim, until Niagara River power is available, the company has reasonable assurance that any deficiency in reserve capacity in 1960-61 will be taken care of by power available from the big northeastern power pool, which includes ten large utilities. It is estimated that the Niagara allocation will take care of increasing requirements until 1963-64.

Share earnings showed little change during 1946-51 but have increased from $2.18 in 1951 to $3.45 for the 12 months ended June 30, 1958 (which compares with $3.01 in the same period for 1956-57). Several favorable factors account for the large current increase in earnings: (1) The interest credit on construction for the 12 months ended June 30 was larger than usual—26c a share or double the amount for the previous 12 months—reflecting the large construction program. (2) While the New York Public Service Commission has not yet formally approved it, a $4.2 million rate increase went into effect Feb. 1, boosting earnings (after taxes) about 5c per month; this accounted for about 25c of the increase. (3) Cold weather in early 1958 probably aided both gas and electric sales.

Allowing for 30c more of the rate increase (six months at 5c per month) share earnings for the calendar year might approximate $3.80. At the recent price of 48, the stock would be selling at only 12.6 times such earnings. However, the earnings include an estimated 41c for income tax savings resulting from accelerated depreciation. A majority of the electric utilities "normalize" these earnings—i.e. exclude them from share earnings. With such normalization, the 1958 estimate would be reduced to about $3.40, and the price-earnings ratio on this basis would be 14.1—still on the low side as compared with current ratios of 15 or 16 for non-growth electric utilities.

Based on the dividend rate of $2 the yield is 4.2% compared with a recent average of 4.4% for 24 electric utilities. This relatively low yield seems to indicate expectations of a dividend increase (the next meeting is early in October). The present payout ratio is only about 58% versus a general average of 72%, and the dividend rate has not been increased since 1954.

Chicago Municipal Bd. Club Outing Sept. 12

CHICAGO, Ill.—The Municipal Bond Club of Chicago will hold its annual field day at the Elmhurst Country Club on Sept. 12. A dinner will precede the event on Sept. 11 at the University Club.

Carl H. Ollman, Dean Witter & Co., is general chairman of the outing; chairman of the committee on arrangements is Oliver H. Heighway, Hornblower & Weeks.

Rockford Sec Dealers Annual Fling-Ding

ROCKFORD, Ill.—The Rockford Securities Dealers Association will hold their annual fling-ding on Friday, Sept. 26 at the Mauh-Nah-Tee-See Country Club. Tab for golf and dinner is $15. Reservations may be made with James E. Pence, Stone & Webster Securities Corporation.

With Filor, Bullard

Richard P. Van Horn has become associated with Filor, Bullard & Smith, 26 Broadway, New York City, members of the New York Stock Exchange, as portfolio analyst.

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Wages, Prices and Productivity

theless, these economic problems are still with us; we still have worries about inflation on the one hand and recession on the other; we must at least try to understand the workings of these economic forces. This paper is an attempt to throw a little more light on these problems.

Last September, before a conference of the American Management Association in New York, I presented some material along these lines. I shall draw on that again at this time. In addition, the Bureau has developed some newer productivity measurements, which were briefly outlined in the Economic Report of the President, and which were presented more recently to the Joint Economic Committee of the Congress. I shall also draw on that information.

Wages and Prices

When I presented the wage-price discussion in New York last year, I began at the end of the war in 1945. Thus, I began in the middle of the wage-price story. To get the whole picture, it is useful to go back to the prewar period. It would be even more desirable to go back to the 1920's, when we were in a period of prosperity, but sufficient reliable data are not available.

The Wartime Experience, 1939-45

A fully documented history of this period was published in Bureau of Labor Statistics' Bullentin No. 1009 on "Problems and Policies of Dispute Settlement and Wage Stabilization During World War II." I refer particularly to the chapter on "The Development of Wage-Price Policies" by Harry Douty, who is now the Chief of the Division of Wages and Industrial Relations in the Bureau of Labor Statistics; and to the chapter on "An Appraisal of Wage Stabilization Policies" by Professor John T. Dunlop of Harvard University. I shall merely summarize in a few paragraphs what they have fully set forth.

To begin with, 1939 was a year of depression, the aftermath of the sharp business downturn in 1937-38. Consequently, when the prewar business expansion began in 1940, there was both idle labor and idle capital available for increased production. Therefore, both wage rates and the price indexes remained relatively stable for a considerable period of time. Between August 1939 and December 1940, Douty estimated that wage rates in manufacturing had risen by only 3.4%. In that same period, consumer prices had risen about 2% and wholesale prices nearly 7%. Gross average hourly earnings, however, had risen over 8%. If we take further into account the decline in unemployment and the increasing numbers of persons drawing pay, it is evident that a rapid expansion in consumer purchasing power was under way. Thus, even before the U. S. entered the war, the pattern of wartime economics became evident—rising consumer purchasing power without equivalent consumer goods to buy.

Without going through the detailed history of the war years, I shall merely summarize the situation at the end of the war in 1945 (that is, the average for the whole year). By that time average hourly earnings in manufacturing industries as a whole had risen 61.6% over the average for 1939. Hourly earnings in building construction had risen 48% and in retail trade, 44.5%. I mention these two nonmanufacturing industries to show that the wage movement was universal. Average weekly earnings in manufacturing had risen nearly 86%, or almost half again as fast as the earnings per hour.

In the meantime, the Wholesale Price Index had risen only 37% and the Consumer Price Index only 30%. These price levels couldn't possibly have existed in a free market. They were obtained by rigorous allocation and rationing and by the diversion of consumer purchasing power into war bonds. The wage and salary incomes of the people were not permitted to express themselves in prices. However, they were not permanently neutralized. They were set aside in war bonds which were cashable after 60 days of holding. Thus there was created a vast reservoir of consumer purchasing power which had explosive possibilities when released. This was a big factor in the postwar inflation.

The First Postwar Period—Reconversion, Inflation, Recession—1945-49

The wage-price problem had been bottled up during World War II by wage and price controls plus the selling of war bonds to mop up excess purchasing power. The government made an effort to maintain some control over the situation during the reconversion but this was unsuccessful. Wage controls were dropped soon after the war ended and price controls were largely eliminated by the late spring of 1946. Some few controls (rents, for example) were retained, but there was no longer anything to prevent purchasing power from expressing itself in active demand. The overhanging load of wartime savings was converted to some extent into current purchasing power; business men obtain credit to expand their productive facilities; and, with war bond deductions from wages no longer needed, the current pay envelopes of the workers were available for spending. There simply were not enough goods available to satisfy all these demands at once.

The result was a sharp and spectacular rise in prices, both in the business world and at retail to consumers. When controls were taken off in the summer of 1946 prices literally jumped up. Starting from May, 1946 wholesale prices rose over 30% in one year, and 44% in two years to May, 1948. Farm prices rose to new heights, thus helping to raise the consumer's cost of living in its most sensitive sector—the wage earning family's food budget. In two years the Consumer Price Index rose about 30%.

Earnings lagged on this rise. The average hourly earnings in manufacturing rose from $1.07 per hour in May, 1946 to $1.32 per hour in May, 1948—an increase of about 23%. Weekly earnings fell still further behind. Due to the elimination of overtime pay and the shift of workers out of high wage war industries, the average weekly earnings in manufacturing fell from $47.50 per week in January, 1945, to $46.58 per week in February, 1946. In the two years from May, 1946 to May, 1948 weekly earnings increased only 24.3%.

This was clearly a demand inflation sparked by the reservoir of wartime purchasing power and then fed by active business and consumer demand. The rise in prices continued until increased production on the one hand and the loss in the value of the dollar on the other brought about a balance, which was further fortified by the recession of 1949. Farm prices fell nearly 20%, the Wholesale Price Index about 10%, and the Consumer Price Index nearly 5%.

Wages and salaries, however, did not recede like prices. Hourly earnings in manufacturing leveled off at about $1.40 per hour and weekly earnings at around $55 per week. There were practically no cuts in wage rates during the 1949 recession, although in some sectors of the economy reduced hours of work caused reductions in weekly earnings. For the economy as a whole consumer purchasing power was well sustained during the recession, aided by a $2 billion increase in consumer credit.

The Korean Period—1950-53

Business recovery by private industry began about the middle of 1949 and was picking up speed in the spring of 1950 when the outbreak in Korea occurred in June. A new government expansion based on war needs was superimposed on top of the private business recovery. For the next three years the economy operated under war conditions. There was a resumption of the familiar phenomena of wage and price controls.

During this period a combination of world-wide demand coupled with some hoarding and speculation send the prices of raw materials skyward. In the 10 months from May, 1950 to March, 1951 the Wholesale Price Index rose 17%. In the same period the Consumer Price Index rose somewhat more than 8%—only about half the increase in wholesale prices. This is another example of the time lag and sluggishness ordinarily shown by the CPI, which does not respond rapidly to changes in business conditions.

Wages were rising slowly in spring of 1950. The peak of unemployment (4,700,000) was reached in February, the Consumer Price Index had been declining, collective bargaining by the unions was cautious. Average hourly earnings in manufacturing rose only slightly (1.7%) from January to May, and weekly earnings did only a little better (2.2%).

But with the outbreak in Korea the whole picture changed. The escalator wage contracts in the automobile industry had been renewed in May, 1950, but there was little interest in such contracts on the part of either management or labor in other industries. But after June there was a rush into escalation and several million workers were brought under it. By March, 1951 the average hourly earnings in manufacturing had gone up about 8%, just slightly less than consumer prices had risen. But weekly earnings had gone up about 11%, due as usual to longer hours of work and premium pay. The volume of consumer purchasing power was further swollen by the reemployment of several million unemployed. Wage and price controls had been introduced in February, 1951 in order to deal with the problem of rising consumer incomes in the fact of shortages of consumer goods.

During the last two years of the Korean war prices were well under control. Farm prices fell back sharply from the peaks of early 1951, and the Wholesale Price Index began a slow decline. Consumer prices advanced slowly to the summer of 1952 when they were stabilized and remained at that level for the next four years.

Wages, however, continued to advance rather slowly until the summer of 1952 and then quite sharply in the second half of that year. By December, 1952, weekly earnings reached a peak nearly 30% above January, 1950, and then fluctuated at about that level all during the year 1953. Hourly earnings, by December, 1952, were up about 23% over the three-year period, but they continued to creep upward during 1953. Both wholesale and retail prices in 1953 remained stable at a level about 15% above January, 1950.

In summary, the Korean period was one in which government was the initiating factor and also to a great extent the dominating factor. The economy operated under war conditions, which means under controls.

Business Recovery and Prosperity, 1954-57

The business downturn after the end of the war in Korea lasted about a year — from the summer of 1953 to the summer of 1954. A business recovery was under way by the autumn of 1954. During 1955 and 1956 the recovery became a private business investment boom of major size. It leveled off in 1957 and turned down last autumn.

During the four-year period, 1954-57, both hourly earnings and weekly earnings moved upward, ahead of and well above prices. There was very little change in wages in the first eight months of 1954, but when the business upturn began in the autumn, both hourly and weekly earnings began to respond. Unemployment had not been exceptionally high the preceding winter (peak in March, 3,700,000) and by October, 1954, it was down to 2,700,000. Thereafter, hourly earnings rose steadily to the summer of 1957, when they reached their peak, approximately 15% above January, 1954. Weekly earnings reached their peak in the closing months of 1956. During 1957 they declined slowly, due to the gradually shortening workweek. By the end of the year, weekly earnings were well below the corresponding month of 1956, and their purchasing power was down nearly 5% because of the rise in consumer prices.

In contrast to wages, both wholesale and retail prices remained stable for the first two years, 1954-55. Wholesale prices began to respond to the boom in the autumn of 1955, and they rose steadily during 1956 and the first half of 1957. By that time they had risen about 7%. Consumer prices did not start to move up until the spring of 1956, when the CPI was no higher than it had been nearly four years earlier, in the summer of 1952.

The behavior of the Consumer Price Index during this period is interesting, because it demonstrates the extent to which its movements are governed by factors not closely or directly related to current business conditions. The stability which the index showed for several years prior to the spring of 1956 was caused by the close balancing of two opposing price movements. Certain groups of items in the index — the services, rents and certain home ownership costs—rose persistently during those years. Conversely, the prices of food items and consumer durables generally declined (except for seasonal fluctuations during each year). However, in the spring of 1956 both these factors came to an end. Farm prices turned upward, and retailers had reached bottom in their discounting of consumer durables. The remainder of the index continued its steady rise, and the addition of these two new increases sent the index up over 6% by the end of 1957.

This last period of wage-price relationships (1954-57) is of special interest because it represents the workings of a peacetime economy. The previous periods—World War II, the postwar readjustment, and the Korean period — all reflected wartime influences directly or indirectly. Since Korea the Government has exercised less influence on the economy. All controls were abolished after Korea and in recent years Government receipts and expenditures have balanced each other, so that Government spending, although high, has been a neutral factor. The private economy, on its own motion, created a boom and now is experiencing a readjustment. We shall not be able to appraise this period fully until the next business recovery begins and we can view the whole cycle.

Productivity

Thus far we have treated prices and wages as though they were directly related to each other. Of course, there is a rough correspondence in their movements— when prices rise (as in 1946-48 or 1950-51) wages follow them up, and when wages lead the way (as in 1955-56) prices eventually respond. However, it is evident that the correspondence of wages and prices is not very close, either in timing or in rate of change. One major reason is that there is a third factor which intervenes, namely, productivity.

We mentioned earlier of the wage rate (largely represented by hourly earnings) as a measure of labor cost to the employer and therefore an influence on prices. But the wage rate is not the only factor in an employer's labor cost; it is modified by the number of manhours required to produce a unit of product. The latter is one way of expressing productivity — man-hours per unit of product. Higher wages per hour might be balanced by fewer manhours of work, so that the labor cost might remain the same and prices would be unchanged. If labor saving exceeds wage increases, prices could be reduced. Therefore, in analyzing the wage-price problem it is necessary to take productivity into account. The great difficulty at this point is that productivity data are not nearly as complete nor as well understood as are wage and price data. Efforts are being made to remedy this situation.

The BLS has recently released estimates of productivity which fall within the framework of Gross National Product. This type of estimate, which may also be referred to as net output or real product per man-hour, reflects a number of things: changes in plant productivity arising out of technological change, and gains in worker and managerial efficiency; shifts between plants; changes in labor requirements resulting from changes in material used for unit of output; and shifts in the relative importance of industries with higher or lower levels of productivity. This measure might show an increase in productivity for a sector (or for the total economy) even if there were no change in productivity of the component industries. The Bureau has previously released other types of measures known as physical output per man-hour which I am not using in this presentation.

We have prepared indexes of real product per man-hour for the years 1947-57 covering (1) the total private economy, (2) agriculture, (3) total nonagriculture, and (4) manufacturing. The data for 1957 are preliminary, and are therefore subject to revision as soon as more 1957 information becomes available.

The index for the total private economy is based on estimates of Private Gross National Product (in constant prices) published by the Office of Business Economics of the Department of Commerce. The estimate for agriculture is obtained from the same source. The estimate for manufacturing is based on previous work of the Bureau of Labor Statistics with preliminary extensions for recent years. (See BLS Report No. 100)

The man-hour estimate for the private economy and the major subdivisions includes the time of all persons, including the self-employed, unpaid family workers, as well as all wage and salary workers. The estimates cover

hours paid (plus hours of unpaid family workers), including paid holidays, vacations and sick leave.

Trends in Output Per Man-Hour 1947-57

During the period 1947-57, total private real product per man-hour increased by 37% over the 10-year period. This is somewhat less than 3.4% per year cumulative.

The agricultural sector of the private economy showed a much higher gain than the remainder; output per man-hour in agriculture rose to a level nearly 84% above 1947, an average of over 6% a year cumulative. By contrast, the nonfarm sector gained only 28.6% over the period. Manufacturing output per man-hour rose somewhat more, (32.4%) than the remainder of the nonfarm sector.

Excluding agriculture, the general picture of productivity in the postwar period is as follows—first, a sharp rise, 1947-50, as industry adjusted itself to peacetime operations; then a slowing down during the Korean war, 1951-53; next, a further sharpening of the rise in 1954-55; and finally, a pronounced slackening in 1956-57. Thus, for total nonfarm, nearly half the entire rise occurred by 1950; in manufacturing the gain by 1950 was 13%, but the additional rise to 1957 was only 17%.

While productivity is better represented as an underlying long-run trend than as year-to-year fluctuations, nevertheless, the postwar pattern makes some sense. There was not much gain in productivity during World War II, for obvious reasons. This was followed by the dislocations of reconversion; so 1947 was not a good year. But industry immediately began a "catching-up" period, just as it did in the early 1920's after World War I. Then the shifts and dislocations brought about by the Korean hostilities (1951-53) slowed up the trend. A year of business recovery (such as 1955) is nearly always a good productivity year, but the rise slackens at the peak of the boom (1956-57). There is as yet no good explanation of the comparatively poor showing of the last two years. I seriously doubt that this foreshadows a new lower trend for the future. The heavy capital investment by American industry during the last few years should express itself eventually, probably in the next business recovery.

Costs and Prices

The next step in the analysis consists of a comparison over the years of labor costs and nonlabor costs in the determination of prices. The price index used for this purpose is neither the Consumer Price Index nor the Wholesale Price Index as such. It is the price change estimated to have occurred in the private nonfarm sector of the economy.[1] It shows a rise of 28% since 1947.

The change in price per unit reflects the change in labor and nonlabor costs per unit. The unit labor cost is average hourly compensation per dollar of real product divided by real product per man-hour, that is, by productivity. It includes direct and indirect wage payments to all persons engaged in the production of nonfarm product.

Note that agriculture is entirely excluded — production, compensation and prices. Unfortunately, because of the nature of the figures, it is necessary to include here the earnings of the self-employed and the independent businessman. We have no way of separating out the compensation for their labor from the profits of their enterprises.

Nonlabor payments are lumped together as the remaining factor in the price determination. They include rent, interest, profits and other nonlabor costs.

[1] It excludes direct farm products. It includes final demand price of goods purchased by producers and consumers.

What this shows is that up to 1950 unit labor costs lagged behind unit nonlabor costs. This is not surprising because productivity increased sharply during that first postwar period and actual current prices in the economy had risen faster than wages. During the next few years, 1951-53, employee compensation rose faster than prices, with the result that nonlabor payments leveled off. In 1953 the two were about in balance. The labor costs leveled off again, due primarily to the high productivity of 1954 and 1955, but the situation was reversed once more in 1956 when employee compensation rose above the price line for the first time in the postwar period. We have not carried this analysis forward to 1957, because data are too preliminary.

Compensation and Productivity

What I have just discussed is the relationship of productivity and wages to labor costs per unit of output. Another way of looking at these two items is in a way which frequently referred to as "sharing the gains" of productivity. For this purpose we want to compare real compensation with productivity to show the real compensation per man-hour of the persons employed in the private nonfarm sector of the economy compared to productivity in that same sector and in the total economy. Real compensation represents the actual earnings of these persons deflated by the Consumer Price Index.

What this shows is that up through 1953 real compensation in the private nonfarm sector followed closely but remained below the productivity of that sector. However, in 1954 the lines crossed and in 1956 there was a sharp divergence. In other words, real compensation in the nonfarm sector now surpassed the productivity of that sector. We are not as yet able to carry these figures forward to 1957.

When we compare nonfarm compensation with the productivity of the total private economy, which includes agriculture, we find that productivity was ahead for the entire period, and in 1956 the two lines were coming much closer to each other.

I should call attention to the fact that this analysis has been in terms of the total postwar period. Obviously, if we started with a different year, 1950 or 1940, for example, the lines might appear in a different relationship to each other.

Some Concluding Observations

(1) The data presented here record the outcome of the operation of economic forces in the past. They show how wages, prices, and productivity interacted to produce the broad general result for the economy as a whole or for its major sectors. The outcome was not achieved by purposeful activity by labor and management in pursuit of objectives designed to bring about these results. On the contrary, the data show the consequences of impersonal forces operating in our economy. These figures were not even available for most of the period, so they could not have served as guides to action.

(2) These broad historical aggregates may not be closely related, or even applicable, to individual firms or industries. The general price indexes are the average of rising prices and falling prices. The earnings figures reflect both high wages and low wages, rising wages and lagging wages. Our productivity studies show that some industries may be achieving spectacular technological improvements while others are actually declining. Amidst such diversity there is no simple common rule which can apply everywhere.

To be concrete, one industry may be prosperous and expanding; another, stable but static; still another, declining. The managements in these different industries are in entirely different situations. Each firm must study its markets, its costs and the efficiency of its operations, not in terms of aggregates representing the whole economy, but specifically in terms of the prospects in its own industry. The state of general business conditions may be a factor in a firm's decisions, but the success or failure of an enterprise will be determined by its own competitive position and that of the industry to which it belongs. In this respect the workers in an industry are in the same boat as management. They too are subject to competitive forces and must gauge the prospects of the firms and the industry.

So prices, wages, and productivity are determined first in the decisions reached in hundreds of industries by thousands of firms and millions of workers. The national aggregates are only the statistical summation of the results of this multitude of decisions.

In my judgment these historical data can serve as a useful tool for general economic analysis. They provide information which may enable us to interpret recent economic developments, appraise economic policies, and judge the performance of the economy as a whole.

Optimistic Growth Study Of Los Angeles

Union Bank's consulting economist, Robert R. Dockson, projects dynamic growth pattern for Los Angeles metropolitan area through 1975.

Continued population increases and higher personal incomes are among the highlights of an optimistic forecast for the future of the Los Angeles metropolitan area released July 9, by Union Bank.

Robert R. Dockson

The study which was prepared by Dr. Robert R. Dockson, professor in the school of commerce at University of Southern California and Union Bank consulting economist, looks ahead through 1975.

Following are excerpts from the study:

Population Trends

(1) One of the major reasons why markets have mushroomed in the Los Angeles Area has been the rapid increase in population.

(2) It is expected the Los Angeles Area will have a population approximating 7,700,000 by 1965, 8,700,000 by 1970, and 10,300,000 by 1975.

(3) For the most part, (approx. 85%) the population explosion in the Los Angeles Metropolitan Area has been due to in-migration rather than to an increase in births.

(4) In-migration is expected to continue in large numbers and a large number of the in-migrants will be in the child-bearing age bracket between 20 and 35 years.

(5) The sections in the Metropolitan Area with the greatest amount of undeveloped land (such as East San Gabriel Valley, North Los Angeles County, West San Fernando Valley and Orange County) will absorb a large part of the new in-migrants.

Employment

(1) Those who endeavor to challenge the economic stability of the Los Angeles Metropolitan Area often base their contentions upon an alleged imbalance in the area's economy.

(2) The distribution of the Los Angeles Metropolitan Area's nonagricultural employment compares favorably with the distribution of such employment in the entire United States.

(3) The Los Angeles Metropolitan Area has a smaller share of it wage and salary workers employed by all levels of government than does the United States as a whole. On the other hand, it has a larger share of the nonagricultural employment in the manufacturing and service industries than does the entire country. The differences in the distribution of employment are minor and have little economic significance, and therefore tend to discredit the statement that the Los Angeles economy is out of balance as compared to the nation, as a whole. When compared with non-agricultural employment found in other metropolitan areas, a more meaningful comparison, the Los Angeles Area appears to fit the pattern of the entire country as well, if not better, than many of the other centers.

(4) If and when the day arrives that international tensions have been eased to the extent that defense expenditures can be drastically reduced, the problem of maintaining full employment in the absence of such expenditures will be a problem of the nation as a whole, not of the Los Angeles Metropolitan Area alone.

Personal Income

(1) Since 1950, personal income in the Los Angeles Area expanded at the rate of approximately 2% for each 1% change in Gross National Product.

(2) For the entire period from 1935 through 1957, personal income in the Los Angeles Area increased, on the average, 1.6% for every 1% change in the national output.

(3) It can be expected that business activity in the metropolitan area will be accelerated at a faster rate than G.N.P. during periods of an upturn in the national economy and it will decline more slowly than G.N.P. when the national economy is experiencing a downturn.

(4) Total personal income in the Los Angeles Metropolitan Area is likely to increase from approximately 120% to 148% over the next 17 years.

(5) A rise in income of the magnitude projected will mean more money available for spending and, thus, increased sales of durables, non-durables and services in the Metropolitan Area. Average personal income in the Los Angeles Area can be expected to increase from the 1957 level of approximately $2,500 before taxes to a range of $3,300 to $3,800 by 1975.

(6) Homes, appliances, swimming pools, recreational facilities and new automobiles will enjoy even more of the mass market by 1975. In addition, this increased income will mean opportunities to sell on a large scale new products that are still in the research and development stage.

New Businesses

The type of growth described in this report is filled with promise and opportunity beyond the imagination of most of us. Although no one can foresee all the different types of new technological advances and new products that will reach the marketable stage prior to 1975, it is relatively certain that many innovations will be forthcoming. The fruits of the billions of dollars that have been invested in research and development work over the past 10 years will take the shape of new producer and consumer products. If these are to come into general use, new businesses will have to be developed and many new jobs filled. For spending to keep pace with the higher levels of income, it can be expected that billions of additional dollars will go for products and services currently unkown to the average consumer.

Use of Automobiles

While it is not expected that the per capita use of automobiles in the Los Angeles Area will greatly increase, it is estimated that the total number of cars using the streets by 1975 will be around 4,800,000 compared to an estimated 2,800,000 in 1957, an increase of 71%.

General Observations

(1) The projections presented in this report might appear unduly optimistic but yet they are, when compared to past performance, deliberately conservative.

(2) The future of the Los Angeles Metropolitan Area offers all kinds of business opportunities to those who are alert to take advantage of change and those who are sufficiently bold to develop and market new ways of doing things as well as new and improved products and services for consumers and businesses.

(3) In the author's opinion, the Los Angeles Area is well on its way to becoming the number one metropolis of the world. Whether this is accomplished in this century or the next will depend upon the accumulated contributions of each generation.

Halsey, Stuart Group Offers Great Northern 4% Equip. Trust Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering today (Aug. 14) $2,610,000 of Great Northern Ry. 4% equipment trust certificates maturing semi-annually from March 1, 1959 to Sept. 1, 1973, inclusive. The group won award of the certificates at competitive sale yesterday (Aug. 13) on its bid of 99.03%. The certificates are being offered subject to approval of the Interstate Commerce Commission and are priced to yield from 2.25% to 4.10%, according to maturity.

The certificates will be secured by new standard-gauge railroad equipment estimated to cost not less than $3,262,500.

Other members of the offering group include: Dick & Merle-Smith; R. W. Pressprich & Co.; Freeman & Co.; and McMaster Hutchinson & Co.

John B. Glover, III, Forms Own Investment Co.

POMPANO BEACH, Fla. — Glover & Co., Limited has been formed with offices at 7 Southeast 24th Avenue to engage in a securities business. Partners are John B. Glover, III, general partner, and Howard O. Haines, limited partner. Mr. Glover was formerly a partner in J. C. Wheat & Co. of Richmond.

Two With Columbine

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — W. R. Hendricks and James H. Sneed have become affiliated with the Columbine Securities Corp., 621 Seventeenth Street.

Mays Acting Director Of Fla. Secs. Comm.

TALLAHASSEE, Fla. — Announcement is made of the appointment of Dannitte H. Mays as Acting Director of the Florida Securities Commission, effective Aug. 1, 1958, succeeding C. Wilson Cogswell who is retiring from State employment.

Mr. Mays has been with the Commission since 1955, and for the past 19 months has been Assistant Director.

With J. K. Mullen

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Dale H. Winter has become associated with the J. K. Mullen Investment Co., 621 Seventeenth Street. He was formerly with Kirchner, Ormsbee & Wiesner, Inc.

Continued from page 5

The State of Trade and Industry

Newark, Del., assembly line, leaving only this division's Detroit and Evansville, Ind., plants active.

Steel Operations Expected to Increase This Week to 61.4% of Ingot Capacity

Production of automobiles in 1959 will exceed this year's output by 25%, "Steel" magazine stated on Monday of this week.

The metalworking weekly further declared that the industry will make and sell 5,500,000 cars in 1959, as against 4,400,000 this year. The main reason for the increase is that fewer cars are in dealer hands at the start of the year.

The improved auto outlook is spurring the recovery underway in steel operations. The uptrend will continue at a modest rate through the remainder of the third quarter and into the fourth. It is unlikely that capacity operations will be achieved, but fourth quarter operations will be in the 60 to 70% range.

Last week, steelmaking operations held at 59% of capacity. Production was about 1,593,000 net tons of steel for ingots and castings. District rates were as follows: St. Louis at 83% of capacity, down 7 points from the previous week; Wheeling at 73.5, no change; Detroit at 68, up 1 point; Western district at 68, up 1 point; Chicago at 67, up 2 points; Eastern district at 60, up 2 points; Birmingham at 54.5, up 2.5 points; Cleveland at 53.5, down 0.5 points; Youngstown at 52, no change; Pittsburgh at 51.5, up 1.5 points; Buffalo at 51.5, up 1.5 points; and Cincinnati at 44.5, up 3.5 points.

Steel demand is picking up in spite of higher prices. While gains are small, they are indicative of the market's latent strength. By the end of the month, steel users no longer will be living out of the pantry, but will be ordering as much steel as they consume, continues this trade weekly.

Users are not applauding higher prices, but they are accepting them. While they regard the $4.50-a-ton hike as moderate, they will have a hard time absorbing it. Their profits have been steadily eroded since the recession began.

Competition has been so keen that many have had to cut their prices in the face of steadily rising costs.

Another price hike may be on the way, the mazagine added. Iron ore prices may be increased at the end of the 1958 shipping season. They were not revised in 1957.

Scrap prices continued their bullish trend last week. "Steel's" composite on the prime grade jumped to $42 a gross ton, up $2.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *103.1% of steel capacity for the week beginning Aug. 11, 1958, equivalent to 1,656,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *98.7% of capacity, and 1,586,000 tons a week ago.

Output for the week beginning Aug. 11, 1958 is equal to about 61.4% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 58.8% the week before.

For the like week a month ago the rate was *92.2% and production 1,481,000 tons. A year ago, the actual weekly production was placed at 2,062,000 tons, or 128.4%.

***Index of production is based on average weekly production for 1947-1949.**

Electric Output Registered New All-Time High Level For Second Straight Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 9, 1958, was estimated at 12,707,000,000 kwh., according to the Edison Electric Institute. Output in the past week established a new all-time high level. The previous record high was set in the week ended Aug. 2, 1958 when output reached 12,619,000,000 kwh.

For the week ended Aug. 9, 1958, output increased by 88,000,000 kwh. above that of the previous week, and 637,000,000 kwh. over that of the comparable 1957 week and an increase of 1,177,000,000 kwh. above that of the week ended Aug. 11, 1956.

Car Loadings in Latest Week Rose 2.4% Above the Preceding Week But Were 16% Below Like Period in 1957

Loadings of revenue freight for the week ended Aug. 2, 1958, were 14,503 cars or 2.4% above the preceding week.

Loadings for the week ended Aug. 2, 1958, totaled 622,204 cars, a decrease of 118,504 cars, or 16% below the corresponding 1957 week, and a decrease of 38,083 cars, or 5.8% below the corresponding week in 1956.

Automotive Output in August Expected to Decline by 45% Under July's Volume Due to Widespread Factory Closedowns

Automotive production for the week ended Aug. 8, 1958, according to "Ward's Automotive Reports," advanced somewhat, despite the fact that manufacturers proceeded to wind up operations and headed into factory changeovers on new models.

Last week's car output totaled 66,425 units and compared with 62,846 (revised) in the previous week. The past week's production total of cars and trucks amounted to 81,563 units, or an increase of 2,441 units above that of the previous week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 3,579 units, while truck output dropped by 1,138 vehicles during the week. In the corresponding week last year 118,864 cars and 18,279 trucks were assembled.

Last week the agency reported there were 15,138 trucks made in the United States. This compared with 16,276 in the previous week and 18,279 a year ago.

Lumber Shipments Were 5.3% Above Production in the Week Ended Aug. 2, 1958

Lumber shipments of 472 reporting mills in the week ended Aug. 2, 1958, were 5.3% above production, according to the "National Lumber Trade Barometer." In the same period new orders were 16.6% above production. Unfilled orders amounted to 42% of stocks. Production was 2.3% below; shipments 1.2% above and new orders were 4.6% below the previous week and 28.8% above the like week in 1957.

Business Failures Rose Moderately to Highest Level in Five Weeks

Commercial and industrial failures rose to 290 in the week ended Aug. 7 from 271 in the preceding week, Dun & Bradstreet, Inc., reports. At the highest level in five weeks, casualties exceeded the 265 a year ago and the 229 in 1956. Fifteen per cent more businesses failed than in the comparable week of pre-war 1939 when 252 occurred.

Failures involving liabilities of $5,000 or more increased slightly to 240 from 233 in the previous week and 229 in 1957. There was also a rise among small casualties with liabilities under $5,000, which climbed to 50 from 38 a week ago and 36 in the similar week of last year. Twenty-eight of the failing concerns had liabilities in excess of $100,000 as compared with 26 in the preceding week.

Retailing casualties rose to 141 from 124, construction to 47 from 40 and commercial service to 33 from 15. In contrast, the manufacturing toll dipped to 45 from 57 and wholesaling to 24 from 35. More businesses succumbed than last year among manufacturers, contractors and service enterprises, but wholesaling failures held steady with their 1957 level and retailing fell off slightly from a year ago.

Most of the week's increase was concentrated in the Pacific States where casualties climbed to 80 from 52 in the previous week. Mild upturns occurred in four other regions including the South Atlantic States, up to 29 from 23. However, week-to-week declines were reported in four regions, with the Middle Atlantic total dipping to 95 from 110 and the East North Central total to 36 from 43. Trends from 1957 continued to be mixed. Casualties ran above last year in four regions, declined slightly in four regions and held even in one. The most noticeable rise from a year ago appeared in the Middle Atlantic States.

Wholesale Food Price Index Last Week Eased Somewhat Following Fractional Gains the Week Before

The wholesale food price index, compiled by Dun & Bradstreet, Inc., slipped somewhat last week. On Aug. 5 it declined 0.6% to $6.59 from $6.63 a week eerlier, but was 3.1% higher than the $6.39 of the similar date a year ago.

Higher in wholesale price the past week were lard, butter and cocoa. Lower were flour, wheat, corn, rye, oats, barley, hams, coffee, cottonseed oil, eggs, potatoes, steers and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Trade Volume Showed Expansion the Past Week

Attracted by extensive sales promotions, shoppers stepped up their buying of apparel, furniture and linens last week and total retail trade fractionally exceeded that of a year ago. There was another slight decline in sales of new passenger cars. Volume remained noticeably below a year ago, spot estimates show.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 1% below to 3% higher than a year ago, according to Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1957 levels by the following percentages: South Atlantic States +4 to +8%; New England and Middle Atlantic +1 to +5; West North Central —1 to +3; East South Central, Mountain and Pacific Coast —2 to +2; West South Central —3 to +3 and East North Central States —5 to —1%.

Purchases of women's summer sportswear and dresses was sustained at a high level and interest in fall coats, dresses and suits improved. Over-all sales of women's apparel slightly exceeded those of last year. While volume in men's sports coats and slacks climbed appreciably, the call for lightweight suits and beachwear slackened. There was a substantial gain from a week earlier in the buying of children's back-to-school merchandise, particularly girls' dresses and skirts.

There were appreciable year-to-year gains in sales of furniture during the week. Best-sellers were bedroom sets, upholstered tables and chairs and dinette sets. Appliance dealers reported moderate declines from a year ago in volume in air conditioners, fans, lamps and television sets. Numerous "white sales" helped boost volume in linens slightly over last year. While interest in floor coverings rose noticeably from the prior week, the buying of draperies and slipcovers lagged.

Total food sales remained moderately higher than a year ago again the past week. Grocers reported appreciable increases in the call for most dairy products, cold cuts, ice cream, fresh produce and baked goods. Volume in canned goods, frozen foods, fresh meat and poultry was close to that of both the prior week and the similar period last year. Some retailers reported limited stocks of frozen juice concentrates.

There was an upsurge in wholesale furniture buying last week at markets in Kansas City, Denver and Minneapolis. Bookings matched those of a year ago. Best-sellers were bedding, occasional tables and juvenile merchandise. Although attendance was below expectations, orders taken at the New England Curtain and Drapery Show were close to those of the similar event last year. Purchases of air conditioners and other major appliances slackened during the week.

An appreciable rise occurred in orders for women's fall sportswear, skirts and better dresses. Over-all volume slightly exceeded that of last year. Chicago wholesalers reported moderate year-to-year gains in the call for all millinery. Orders for children's back-to-school clothing expanded and equalled those of a year ago. Volume in men's apparel slipped from a week earlier and was fractionally below that of the similar 1957 week.

Textile activity in most major wholesale centers lagged dur-

ing the week. There was a moderate decline in trading in woolens and worsteds in Boston and volume in carpet wool fell noticeably in Philadelphia. Although some wholesalers reported scattered orders for sateens and print cloths, over-all volume in cotton gray goods slipped somewhat from the prior week. Automobile manufacturers stepped up their buying of light weight coating fabrics during the week. Incoming orders at Mid-Atlantic dyeing and finishing plants were unchanged from a week earlier.

Retailers stepped up their buying of canned fruit, vegetables and fish last week. Some wholesalers reported limited stocks. Interest in fresh produce, cold cuts and baked goods was sustained at a high level.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Aug. 2, 1958, rose 3% above the like period last year. In the preceding week, July 26, 1958, an increase of like amount was reported. For the four weeks ended Aug. 2, 1958, a gain of 3% was also recorded. For the period Jan. 1, 1958 to Aug. 2, 1958, a decrease of 2% was reported below that of 1957.

Retail trade sales volume in New York City the past week scored a 2% to 4% gain above the volume for the like period a year ago.

Best-sellers for the week were piece goods, women's accessories and men's wear.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 2, 1958 advanced 4% above that of the like period last year. In the preceding week, July 26, 1958, a gain of 3% (revised) was reported. For the four weeks ended Aug. 2, 1958, an increase of 5% was reported. For the period Jan. 1, 1958 to Aug. 2, 1958 an increase of 1% was registered above that of the corresponding period in 1957.

Corporate Giving Rises With Shift to Education

Several years study recently completed by Conference Board reveals company contributions have expanded and reflect new attitude which regards such donations as one of the costs of doing business.

American companies have materially expanded their contributions over the years and have come to regard donations as one of the costs of doing business, the National Industrial Conference Board reported Aug. 4 in releasing its latest study in company giving which took several years to complete.

This new attitude has led many companies to conduct searching investigations of the basic needs of society and of the agencies which meet these needs. These continuing studies are aimed at developing optimum employment of the contributions dollar and have resulted in a shifting in the pattern of company contributions.

For example, NICB finds that industry has sharply increased its aid to education in the past decade. Cooperating companies indicate they are deeply concerned about the plight of higher education and are convinced that they have a stake in the successful solution of the financial problems now confronting colleges and universities, particularly those whose support is derived from private sources.

Some Benefit to Company Expected

Company contributions—to education or any of the other endeavors which American business helps support — are not based solely on altruism, The Conference Board finds. Policy provisions usually require that companies, both large and small, support causes that have some relation to the needs and interests of the business. Immediate benefit to the company is not always demanded, but it must be present, even though it is "long range in character" or "broadly based."

Gave Away 0.7% of Income

One hundred and sixty-three of the 180 companies cooperating in this study furnished the NICB with information on their earnings, which revealed that their 1955 contributions averaged 0.7% of net income before taxes. These 163 companies had a total net income of $5.1 billion and gave away $37.9 million.

However, among individual companies wide variation exists in the ratio of contributions to net income — ranging from 0.1% in several companies to 9.1% in one machinery firm. Company contributions relative to income tend to vary inversely, with the larger firms giving a lower percentage of their earnings than the smaller companies.

Dollars Don't Tell Whole Story

Direct contributions of dollars often fail to measure a company's total philanthropic effort, the NICB notes. For example, the cost of administering the contribution program is not reflected in gift totals. In addition, 138 of the cooperating companies contribute the time of their executives and other personnel to assist nonprofit organizations. Twenty-three of these companies having assets of $100 million or more estimate that the time their personnel spend in philanthropic causes is worth on the average 0.29% of their income before taxes.

Other types of services contributed by companies include donations of company products, public service advertising, technical and clerical assistance, administration of payroll deduction plans for employee giving, use of company facilities and equipment, and sponsorship of selected organizations.

Social Welfare Gets Largest Share

The 180 companies cooperating in the NICB study gave $38.3 million in 1955. This was spread over a wide variety of agencies. Of every donations dollar, 40.1 cents went to social welfare, 31.3 cents to educational institutions, 10.6 cents to medicine and health, 3.2 cents to civic and cultural causes, 2.1 cents to groups devoted to "The American Way," 0.5 cents to religious causes, and 0.3 cents to international gifts. A miscellaneous category accounted for 4.6 cents, while unidentified funds made up the balance of 7.3 cents.

Yardsticks of Giving Developed

With few exceptions, the cooperating companies have developed their own yardsticks for determining how much they will give, the NICB reports. While no single factor determines the amount, the three most important determinants are the amounts of previous contributions, recommendations received within the company, and earnings before taxes.

More than half of the 180 firms studied report that they use a contribution budget. In addition to fixing a limit on contributions, the budget reportedly is helpful in studying the trend of contributions, analyzing the scope of giving, forecasting cash needs of the program, and comparing contribution costs with other company costs.

Organization for Company Gifts

Among the companies cooperating in the NICB study, requests for contributions are normally handled by an individual, a committee or either of the two in combination with a company-sponsored foundation. In the smaller company the tendency is to vest authority in an individual. Larger companies (with 10,000 or more employees) typically have more than one person concerned with contributions.

Regardless of the type of organization employed to handle contributions, authority for a company's "largest gifts" ordinarily rests with the chief executive or board of directors, the NICB reports.

Not All Companies Wait to Be Asked

It should not be assumed that all corporate giving is in response to requests, the NICB notes. A small but growing number of companies are attempting through contributions research to engage in more creative philanthropy in which they develop their own program. Research techniques most frequently employed are: surveys of practice among other companies, analysis of the company's own records, and, personal contact with other companies and soliciting agencies.

Joins Alm, Kane Firm

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Corey J. Mount has joined the staff of Alm, Kane, Rogers & Co., 39 South La Salle Street. Mr. Mount was formerly with Waddell & Reed Inc., and White & Company in Springfield, Illinois.

H. R. Baird Now With du Pont, Homsey & Co.

(Special to THE FINANCIAL CHRONICLE)

SOUTH YARMOUTH, Mass.—Harold R. Baird has become associated with du Pont, Homsey & Company, 31 Milk Street, Boston, members of the New York and Boston Stock Exchanges. Mr. Baird formerly conducted his own investment business in South Yarmouth.

With Melvin Gordon Co.

(Special to THE FINANCIAL CHRONICLE)

REVERE, Mass.—Gene S. Raymond has become affiliated with Melvin Gordon Company, 10 Pines Road. He was formerly with Edward E. Mathews Co.

With Hayden, Stone Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Aime P. La Fosse has become associated with Hayden, Stone & Co., 10 Post Office Square. Mr. La Fosse was previously with Gibbs & Co.

With W. E. Hutton

BOSTON, Mass. — George F. Wilson has joined the staff of W. E. Hutton & Co., 75 Federal Street, as a registered representative. Mr. Wilson was formerly with Kidder, Peabody & Co., and Schirmer, Atherton & Co.

Charles H. Fahy

Charles Harold Fahy, associated with Granbery, Marache & Co., passed away Aug. 9 at the age of 64 while abroad.

Charles A. Potter, Jr.

Charles A. Potter, Jr. passed away Aug. 5 at the age of 69. Mr. Potter was with the securities firm of Biddle & Henry of Philadelphia.

Exports to Decline 15% Below 1957 Level

National Foreign Trade Council's mid-year balance of payments review points up sharper drop in estimated U. S. exports for 1958 than previously anticipated, and higher estimated net capital outflow from United States which, if realized, will establish a new record for this country.

The results in foreign trade for the first half of the year indicate that United States merchandise exports for 1958 will run about 15% below 1957, at a level of $16.4 billion, according to the mid-year review of international transactions by the Balance of Payments Group of the National Foreign Trade Council.

Commercial imports, it was estimated, should reach a value of $12.5 billion, or about $800 million less than in 1957. The decrease in exports is somewhat more substantial than the Group had estimated in January of this year.

It was anticipated that the elimination of such special influences as the Suez crisis and the relatively poor European harvest of 1956 would mean a drop of about $1 billion in exports and that there would also be a moderate curtailment of imports abroad in consequence of lower levels of demand. This curtailment has been sharper than foreseen, and intensified competition from foreign sources may have been a significant factor.

The merchandise trade volume will be augmented by United States expenditures on international transportation, travel and miscellaneous services of $3.5 billion, according to the Group's calculations, while a somewhat larger amount, $3.8 billion, should be spent by foreign countries on similar United States services.

Capital Outflow Record

A heavy net capital outflow from the United States took place during the first six months of 1958, and the estimate for the year as a whole was raised from $2.5 billion to $3.5 billion for net new private capital investment. If this level is reached, it will establish a new record for net private capital outflow from the United States.

The Group in its estimates of foreign trade trends acted on the assumption of (1) no sharp change in the world political situation, and (2) continuation of defense and other Government programs now under way. In this connection, however, the Group took special note of the new tensions in the Middle East, but concluded that the situation was far too fluid for its ultimate impact on the United States balance of payments to be assessed at this time. Exports of military end items under the Mutual Security Program are excluded from the computations in view of the special nature of these transactions.

As seen at the year's mid-point by the Group, the comprehensive picture of 1958 American international transactions is as follows:

Comprehensive Picture Summarized

An amount of $26.2 billion is expected to be currently available to foreign countries, composed of $12.5 billion in commercial imports; $3.5 billion expended for transportation, travel and miscellaneous services; military expenditures abroad (as distinct from military shipments from the United States) of $3.1 billion; income paid to foreigners on investments in this country, $600 million; United States Government economic aid and other transfers amounting to $1.8 billion; unilateral private transfers of $500 million; United States private capital investments abroad, $3.5 billion, and government loans and changes in short-term assets amounting to an outflow of $700 million.

Utilization of dollars currently available to nations abroad during 1958 is projected in terms of merchandise exports of $16.4 billion; foreign expenditures on American travel, transportation and miscellaneous services of $3.8 billion, and income on United States foreign investments, including direct and portfolio investments and government loans, $2.9 billion.

Setting possible errors and omissions at approximately $300 million, the amount left for allocation to increases in foreign gold and dollar reserves and additions to foreign private investments and other capital holdings in the United States is placed at $2.8 billion.

NFTC pointed out that its Balance of Payments Group is composed of individuals serving generally in the role of economists with manufacturers, exporters, importers, bankers, transportation companies, and other concerns directly engaged in international trade and business.

International Transactions of the United States — 1958
(In Billions of Dollars)

Type of Transaction	Jan. 1958 Estim. for 1958*		Provis. Results 1st Half 1958†		July 1958 Revised Estim. for 1958*	
Exports of goods and services:						
Commercial merchandise (adj.)‡	17.8	17.8	8.4	8.4	16.4	16.4
Transportation, travel, misc. services	3.8		1.9		3.8	
Income on investments	2.9		1.2		2.9	
Total services	6.7	6.7	3.1	3.1	6.7	6.7
Total exports—goods & services‡	24.5	24.5	11.5	11.5	23.1	23.1
Imports of goods and services:						
Commercial merchandise (adj.)	12.6	12.6	6.4	6.4	12.5	12.5
Transportation, travel, misc. services	3.5		1.7		3.5	
Military expenditures	3.0		1.7		3.1	
Income on investments	0.7		0.3		0.6	
Total services	7.2	7.2	3.7	3.7	7.2	7.2
Total imports—goods & services	19.8	19.8	10.1	10.1	19.7	19.7
Balance on goods and services		+4.7		+1.4		+3.4
Means of financing balance:						
Unilateral transfers (net, to foreign countries [—]):						
Private (net)	—0.5		—0.2 +		—0.5	
Govt. (economic aid and other transfers)‡	—1.8		—0.8 +		—1.8	
Total Unilateral Transfers	—2.3	—2.3	—1.1	—1.1	—2.3	—2.3
U. S. Capital (net, outflow [—]):						
Private capital (net)	—2.5		—1.9		—3.5	
Govt. loans and short-term assets	—1.0		—0.4		—0.7	
Total capital	—3.5	—3.5	—2.3	—2.3	—4.2	—4.2
Total means of financing		—5.8		—3.4		—6.5
Foreign capital (net, outflow [—]) and gold sales (purchases [—])	+0.7		+1.2		+2.8	
Errors and omissions	+0.4		+0.1		+0.3	
Total	+1.1	+1.1	+1.3	+1.3	+3.1	+3.1

*Estimated by the NFTC Balance of Payments Group. †Partially estimated from official statistics. ‡Excluding military aid shipments or transfers.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Acme United Life Insurance Co., Atlanta, Ga.
June 30 filed 315,000 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of three new shares for each two shares held of record June 30, 1958. **Price**—$6.25 per share to shareholders, and $7.50 for any unsubscribed shares. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

• Aircraft Armaments, Inc., Cockeysville, Md.
July 16 (letter of notification) 70,000 shares of common stock (par $1) being offered for subscription by minority stockholders of record July 10, 1958 at rate of seven new shares for each eight shares held (with an oversubscription privilege); rights to expire on Sept. 5. An additional 280,000 shares will be subscribed for by parent, United Industrial Corp., at the same price. **Price**—$2.50 per share. **Proceeds**—To reduce its present short term indebtedness and to procure production and test equipment. **Underwriter**—None.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President

American Petrofina, Inc., New York (8/20)
July 29 filed $6,950,000 of 5½% subordinated convertible debentures due Jan. 1, 1973, of which $5,000,000 principal amount are to be offered for account of Atlas Corp., and $1,950,000 principal amount are to be offered in exchange for a like amount of 5½% subordinated convertible notes issued June 30, 1958. **Price**—To be supplied by amendment. **Underwriters**—White, Weld & Co., Blyth & Co., Inc. and Hemphill, Noyes & Co., all of New York.

★ Ampal-American Israel Corp., New York
Aug. 8 filed $3,289,100 of 10-year discount debentures, series E. **Price**—61.027% of principal amount, payable in cash or in State of Israel Independence Issue or Development Issue bonds. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters** — Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Apache Oil Corp., Minneapolis, Minn. (8/18)
July 28 filed 94,766 shares of common stock (par $2.50) to be offered for subscription by stockholders at the rate of one new share for each four shares held about Aug. 18, 1958. Rights to expire on Sept. 2. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Piper, Jaffray & Hopwood, Minneapolis, Minn.

Arden Farms Co., Los Angeles, Calif.
June 4 filed 172,162 shares of common stock (par $1) being offered for subscription by holders of outstanding common stock at the rate of one new share for each five shares held on July 7, 1958; rights to expire about Sept. 22, 1958. **Price**—$14 per share. **Proceeds**—To pay off an equivalent portion of the company's current bank loans which, at May 15, 1958, amounted to $8,450,000. **Underwriter**—None. Statement effective July 7.

Arizona Color Film Processing Laboratories
July 14 filed 500,000 shares of common stock (par $1). A recission offer is being made with respect to stock offered beginning April 8, 1958 to residents of the State of Arizona. **Price**—$2 per share. **Proceeds**—For land, building and equipment, and working capital. **Office**—Scottsdale, Ariz. **Underwriter** — None. Statement effective Aug. 4.

★ Arlington Books, Inc., Cambridge, Mass.
Aug. 7 (letter of notification) 16,600 shares of common stock (par $1). **Price**—$5 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—30 Arlington St., Cambridge, Mass. **Underwriter**—None.

• Arnold Altex Aluminum Co. (8/27)
July 28 filed 300,000 shares of 35 cents cumulative convertible preferred stock (par $4). **Price**—To be supplied by amendment. **Proceeds**—$1,150,000 is to be used for repayment of funds borrowed from James Talcott, Inc., on assignment of accounts receivable and warehouse receipts; $40,000 for the purchase of additional equipment; and the balance for general corporate purposes. **Office**—Miami, Fla. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

Associated Grocers, Inc., Seattle, Wash.
June 30 filed 4,788 shares of common capital stock (par $50) and $1,500,000 of 5% subordinated registered debenture notes, second series, and $606,000 of 5% coupon bearer debentures. To be offered to members of the association. **Proceeds** — For working capital. **Underwriter**—None.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga. **Underwriter**—None.

Bankers Management Corp. (8/27)
Feb. 10 filed 400,000 shares of common stock (par 25 cents.) **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Bankers Southern, Inc.
April 14 filed 8,934 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Bankers Bond Co., Louisville, Ky.

Berkshire Gas Co.
July 16 (letter of notification) 18,461 shares of common stock (par $10) being offered for subscription by stockholders of record July 29, 1958 on the basis of one new share for each 6.5 shares held (with an oversubscription privilege); rights to expire Aug. 21, 1958. **Price**—$14.75 per share. **Proceeds**—To repay short-term notes. **Office**—20 Elm St., Pittsfield, Mass. **Underwriter**—None.

Budget Finance Plan, Los Angeles, Calif.
June 10 filed 132,000 shares of 6% serial preferred stock ($10 par). **Price**—To be supplied by amendment. **Proceeds**—To be used in conjunction with proposed merger of company and Signature Loan Co., Inc. **Underwriter**—Shearson, Hammill & Co., New York. **Offering**—Expected late in September.

★ Cador Production Corp., Far Hills, N. J.
Aug. 7 filed 1,003,794 shares of class A stock (par $1) and 150,569 shares of class B stock (par 60 cents), the class A shares to be issued in exchange for oil and/or gas properties and the class B shares to be issued as commissions. **Underwriter**—Cador, Inc., Far Hills, N. J.

Calidyne Co., Inc., Winchester, Mass.
June 4 filed 230,875 shares of common stock (par $1). These shares are issuable upon conversion of an aggregate principal amount of $923,500 of 10-year 3% convertible subordinated income notes of the Calidyne Co., a limited partnership, which notes were assumed by the company Dec. 31, 1957. The notes are convertible at any time after July 1, 1958, until the maturity or prior redemption of the notes at a conversion price of $4 per share. **Underwriter**—None.

Campbell Chibougamau Mines Ltd.
March 10 filed 606,667 shares of capital stock (par $1), of which 506,667 were issued in connection with the acquisition of all the assets of Yorcan Exploration Ltd. (latter proposes to distribute said shares ratably to its stockholders of record Dec. 16, 1957). The remaining 100,000 shares are to be sold for the account of the Estate of A. M. Collings Henderson on the American and Toronto Stock Exchanges. **Price**—At market. **Proceeds**—To selling stockholders. **Office**—Toronto, Canada. **Underwriter**—None.

• Canada Dry Corp. (8/27)
Aug. 6 filed 392,611 shares of common stock (par $1.66⅔) to be offered for subscription by common stockholders of record Aug. 26, 1958 on the basis of one new share for each five shares held; rights to expire on Sept. 11. **Price**—To be supplied by amendment. **Proceeds**—For repayment of bank loans, to purchase and install machinery, and for working capital. **Underwriters**—Eastman Dillon, Union Securities & Co.; Hornblower & Weeks, and Winslow, Cohu & Stetson, all of New York.

Carrtone Laboratories, Inc., Metairie (New Orleans), La.
July 2 filed 600,000 shares of common stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion, working capital and other corporate purposes. **Underwriter**—None.

Central Oils Inc., Seattle, Wash.
July 30 filed 1,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds** — For drilling costs. **Underwriter**—None. Offering to be made through A. R. Morris and H. C. Evans, President and Vice-President, respectively, on a best-efforts basis. **Office**—4112 Arcade Building, Seattle, Wash.

Cinemark II Productions, Inc.
June 30 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office** — 937 Acequia Madre Rd., Santa Fe, N. M. **Underwriter**—Watson & Co., Santa Fe, N. M.

NEW ISSUE CALENDAR

August 14 (Thursday)
Missouri Pacific RR.________Equip. Trust Ctfs.
(Bids noon CDT) $4,275,000

August 18 (Monday)
Apache Oil Corp.________Common
(Offering to stockholders—to be underwritten by Piper, Jaffray & Hopwood) 94,766 shares
Houston Corp.________Debs. & Common
(Blyth & Co., Inc.; Lehman Brothers; Allen & Co. and Scharff & Jones, Inc.) 361,880 units
Mortgages, Inc.________Common
(Copley & Co.) $296,750
Pillsbury Mills, Inc.________Common
(Goldman, Sachs & Co. and Piper, Jaffray & Hopwood) 100,000 shares

August 19 (Tuesday)
Standard Oil Co. (New Jersey)________Common
(To be offered in exchange for Humble Oil & Refining Co. stock—Morgan Stanley & Co. will act as exchange agent) 11,406,078 shares

August 20 (Wednesday)
American Petrofina, Inc.________Debentures
(White, Weld & Co., Blyth & Co., Inc. and Hemphill, Noyes & Co.) $6,950,000
Norfolk & Western Ry.________Equip. Trust Ctfs.
(Bids noon EST) $2,310,000
Public Service Electric & Gas Co.________Bonds
(Bids 11 a.m. EDT) $60,000,000

August 21 (Thursday)
One-Hour Valet, Inc.________Common
(R. S. Dickson & Co., Inc.) 102,566 shares

August 25 (Monday)
Southern California Edison Co.________Bonds
(Bids 9 a.m. PDT) $50,000,000

August 26 (Tuesday)
Montana Power Co.________Bonds
(Bids noon EDT) $20,000,000
New England Telephone & Telegraph Co.___Debens.
(Bids 11 a.m. EDT) $40,000,000
Universal-Cyclops Steel Corp.________Debentures
(A. G. Becker & Co., Inc.) $22,500,000

August 27 (Wednesday)
Arnold Altex Aluminum Co.________Preferred
(Cruttenden, Podesta & Co.) $1,200,000
Bankers Management Co.________Common
(McDonald, Holman & Co., Inc.) $400,000
Canada Dry Corp.________Common
(Offering to stockholders—to be underwritten by Eastman Dillon, Union Securities & Co.; Hornblower & Weeks; and Winslow, Cohu & Stetson) 392,611 shares
Pennsylvania Power Co.________Bonds
(Bids 11 a.m. EDT) $8,000,000

September 2 (Tuesday)
Grace Line Inc.________Santa Rosa Bonds
(Merrill Lynch, Pierce, Fenner & Smith; Paine, Webber, Jackson & Curtis; Smith, Barney & Co.; White, Weld & Co. and F. Eberstadt & Co.) $9,000,000

September 3 (Wednesday)
Rassco Financial Corp.________Debentures
(Rassco Israel Corp.) $1,000,000

September 4 (Thursday)
North Carolina Natural Gas Corp.___Debs. & Com.
(Kidder, Peabody & Co.) $8,580,000

September 5 (Friday)
Thiokol Chemical Co.________Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 105,433 shares

September 9 (Tuesday)
Stevens Markets, Inc.________Preferred
(R. S. Dickson & Co., Inc.) $1,250,000
Utah Power & Light Co.________Bonds
(Bids noon EDT) $20,000,000

September 10 (Wednesday)
South Carolina Electric & Gas Co.________Bonds
(Bids to be invited) $10,000,000

September 15 (Monday)
Gulf States Utilities Co.________Bonds
(Bids to be invited) $17,000,000
Moore-McCormack Lines, Inc.________Bonds
(Kuhn, Loeb & Co. and Lehman Brothers) $24,000,000

September 17 (Wednesday)
Public Service Co. of Indiana, Inc.______Preferred
(Blyth & Co., Inc.) $24,282,000

September 23 (Tuesday)
Consumers Power Co.________Bonds
(Bids to be invited) $40,000,000
Consumers Power Co.________Preferred
(Bids to be invited) $20,000,000

September 30 (Tuesday)
Mountain States Telephone & Telegraph Co.________Common
(Offering to stockholders—no underwriting) $70,096,100
Southwestern Bell Telephone Co.______Debentures
(Bids to be invited) $110,000,000

October 1 (Wednesday)
National Fuel Gas Co.________Debentures
(Bids 11:30 a.m. EDT) $25,000,000

October 21 (Tuesday)
Cincinnati & Suburban Bell Telephone Co.___Debs.
(Bids to be received) $25,000,000

Columbia & Rensselaer Telephone Corp.
Aug. 4 (letter of notification) 2,800 shares of common stock (no par) to be offered for subscription by stockholders at the rate of one new share for each 2.572 shares held. **Price**—$60 per share. **Proceeds**—For construction of new telephone plant. **Office**—19 Railroad Avenue, Chatham, N. Y. **Underwriter**—None.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Consolidated Cuban Petroleum Corp.
July 1 filed 419,000 outstanding shares of common stock (par 20 cents). **Price**—Related to the current market price on the American Stock Exchange. **Proceeds**—To selling stockholders. **Underwriter**—None.

★ Cooper (H. E.) & Co., Rochelle, Ill.
Aug. 6 (letter of notification)) $100,000 of interim receipts, in denominations of $2,000 each. **Proceeds**—For organization expenses and working capital. **Underwriter**—None.

Cooperative Grange League Federation Exchange, Inc.
June 20 filed $400,000 of 4% subordinated debentures, 10,000 shares of 4% cumulative preferred stock (par $100) and 200,000 shares of common stock (par $5). **Price**—At par. **Proceeds**—To be added to working capital. **Office**—Ithaca, N. Y. **Underwriter**—None.

Counselors Research Fund, Inc., St. Louis, Mo
Feb. 5 filed 100,000 shares of capital stock, (par one cent). **Price**—At market. **Proceeds**—For investment **Underwriter** — Counselors Research Sales Corp., St Louis. Robert H. Green is President.

Cuban-Venezuelan Oil Voting Trusts, Havana, Cuba
March 31 filed 767,838 units of voting trust certificates each certificate representing the ownership of one share of common stock (par one-half cent) in each of 24 Cuban companies. **Price** — To be supplied by amendment. **Proceeds**—For capital expenditures, exploration costs and other corporate purposes. **Underwriter**—None

● Curtis (S.) & Son Inc.
July 18 (letter of notification) 5,000 shares of common stock (par $10) being offered for subscription by stockholders at the rate of five new shares for each 17 shares held of record Aug. 12, 1958; rights to expire on Aug. 22. **Price**—$20 per share to stockholders; to public $21 per share. **Proceeds** — To finance additional building, machinery, equipment, and for working capital. **Office** Sandy Hook, Conn. **Underwriter**—Smith, Ramsey & Co., Inc., Bridgeport, Conn.

Daybreak Uranium, Inc., Opportunity, Wash.
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. **Price**—At market. **Proceeds**—For exploration and drilling costs and other corporate purposes. **Underwriter**—Herrin Co., Seattle, Wash.

Delhi-Taylor Oil Corp., Dallas, Texas
July 15 filed 575,869 depositary units for the class A stock of the Houston Corp., to be offered for subscription by the holders of common stock of Delhi-Taylor of record May 23, 1958 on a 1-for-10 basis (with an oversubscription privilege). Each depositary unit will represent (a) the beneficial ownership of one share of class A stock of the Houston Corp. and (b) an irrevocable option to purchase 3,945/10,000ths of one additional share of class A stock of Houston during a two-year period commencing on Aug. 15, 1959, or such earlier date as may be determined. **Price**—To be supplied by amendment. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

Derson Mines Ltd.
June 5 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For new equipment, repayment of loan, acquisition of properties under option, and other corporate purposes. **Office**—Toronto, Canada, and Emporium, Pa. **Underwriter**—None.

Diketan Laboratories, Inc.
June 10 (letter of notification) 43,336 shares of common stock (par $1) to be offered to stockholders on the basis of one share for each 10 shares held until the close of business on June 20, 1958. **Price**—$1.10 per share. **Proceeds**—For the general fund of the company. **Office**—5837 W. Adams Blvd., Culver City, Calif. **Underwriter**—Lloyd Arnold & Co., Beverly Hills, Calif.

Dixon Chemical & Research, Inc.
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Office**—Clifton, N. J **Underwriter**—P W Brooks & Co. Inc New York. **Offering**—Indefinitely postponed. Statement may be withdrawn. Other financing may be arranged.

Drinks, Inc.
July 28 (letter of notification) 200,000 shares of common stock (par five cents). **Price**—$1.50 per share. **Proceeds**—For working capital and reducing current indebtedness. **Office**—136 East 38th Street, New York 16, N. Y. **Underwriter** — Capital Reserve Corp., 1346 Connecticut Avenue, Washington 6, D. C.

★ Electric Power Door Co., Inc.
Aug. 8 (letter of notification) 30,000 shares of class A common stock (par $5). **Price**—$6.60 per share. **Proceeds**—For general corporate purposes. **Office** — 2127 East Lake St., Minneapolis, Minn. **Underwriter**—Craig-Hallum, Inc., also of Minneapolis.

★ Electronic Industries Inc.
July 29 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To exercise option to acquire assets of Photo Chemical Products of California, Inc., reserve to acquire raw materials and for working capital. **Office** — c/o Wade Church, 707 Arizona Savings Building, Phoenix, Ariz. **Underwriter**—None.

Ethodont Laboratories, Berkeley, Calif.
Feb. 20 filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

★ Exploration Service Co., Ltd., Far Hills, N. J.
Aug. 11 this company and Amkirk Petroleum Corp. (latter of Fort Worth, Texas) filed $400,000 of working interests (non-producing in Sinu Valley Project), to be offered for sale in $12,500 units (of which $8,000 is payable in cash and $4,500 is to be represented by promissory notes). **Proceeds**—Exploration Service Co. to acquire 80% interest in a certain concession from Amkirk and for exploration program. **Underwriter**—Cador, Inc., Far Hills, N. J.

Federal Commercial Corp.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—To make loans, etc. **Office** — 80 Wall St., New York, N. Y. **Underwriter**—Dumont Securities Corp., New York, N. Y.

★ Fibercraft, Inc.
Aug. 4 (letter of notification) $165,000 of 12-year 6% convertible debentures to be offered in denominations of $500 and $1,000 and 80,000 shares of common stock (par 10 cents). **Price**—Of debentures, at par; of stock, $1.25 per share. **Proceeds**—To reduce outstanding debts, to purchase equipment and for working capital. **Office**—1820 N. E. 146th Street, North Miami, Fla. **Underwriter**—Dayton Co., South Miami, Fla.

Fields' Louisiana Corp., Baton Rouge, La.
July 31 filed 400 shares of common stock (no par) $500,000 of 6% debenture bonds and $50,000 of promissory notes to be offered in units of four shares of stock, $2,000 of bonds and $500 of notes. **Price**—$7,500 per unit. **Proceeds**—To take over a contract to purchase the Bellemont Motor Hotel in Baton Rouge; for equipment; and working capital. **Underwriter**—None.

First Backers Co., Inc., Clifton, N. J.
April 7 filed $1,000,000 of 12% notes, payable nine months after date of issue in units of $100 or in multiples thereof. **Price**—100% of principal amount. **Proceeds**—To be used solely for purchase of notes and other indebtedness issued in payment for improvements on homes and secured by mortgages or other liens upon the improved properties. **Underwriter**—None.

★ Florida National Development Corp.
Aug. 7 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For development of land, promotion and sale of existing properties, payment of mortgage and working capital. **Office**—438 Mercantile Bank Bldg., Miami Beach, Fla. **Underwriters** — James Anthony Securities Corp., New York; and Schwerin, Stone & Co., Great Neck, L. I., N. Y.

● Fluorspar Corp. of America
Dec. 26 filed 470,000 shares of common stock (par 20 cents). **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office** — Portland, Ore **Underwriter**—To be named by amendment Sol Goldberg is President. Statement to be withdrawn.

Forest Laboratories, Inc.
March 26 filed 150,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Statement to be amended.

Fort Pierce Port & Terminal Co.
May 23 filed 2,138,500 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay some $174,000 of outstanding indebtedness and to complete phase one of the port development plan, at a cost of $1,425,248, and the balance will be added to working capital. **Office**—Fort Pierce, Fla. **Underwriter**—Atwill & Co., Inc., of Miami Beach, Fla., on a best efforts basis.

★ Fred Astaire Dance Studios (Metropolitan New York), Inc.
Aug. 7 (letter of notification) 299,940 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For constructing and furnishing new dance studios. **Office**—487 Park Ave., New York, N. Y. **Underwriter**—Willis E. Burnside & Co., Inc., New York, N. Y.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1) **Proceeds**—To the Attorney General of the United States **Underwriter**—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). **Bids**—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25. D. C., but bidding has been postponed.

General Devices, Inc., Princeton, N. J.
March 31 (letter of notification) 40.000 shares of common stock (par $1) to be offered for subscription by stockholders at the rate of approximately 18.5 shares for each 100 shares held about April 15; unsubscribed shares to public. **Price**—$3.50 per share. **Proceeds**—For expansion, equipment and working capital. **Underwriter**—None.

Georgia Casualty & Surety Co., Atlanta, Ga.
May 6 filed 450,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds** — For general corporate purposes. **Underwriter**—Buckley Enterprises, Inc.

Glassheat Corp.
Feb. 12 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—1 E. 35th Street, New York 16, N. Y. **Underwriter**—James Anthony Securities Corp., 37 Wall St., New York 5, N. Y.

★ Greenbelt Consumer Services, Inc.
July 30 (letter of notification) 5,000 shares of class A voting common stock and 25,000 shares of class B nonvoting common stock. **Price**—At par ($10 per share). **Proceeds**—For purchase of outstanding stock of Rochdale Cooperative, Inc. and for working capital. **Office**—121 Centerway Road, Greenbelt, Md. **Underwriter**—None.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16, 1957, filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

★ Hathaway (C. F.) Co., Waterville, Me.
July 30 (letter of notification) 22,404 shares of common stock (par $1) to be issued upon exercise of common stock purchase warrants. **Price** — $10.59 per share. **Proceeds**—For working capital. **Underwriter**—None.

Hoagland & Dodge Drilling Co., Inc.
June 12 filed 27,000 shares of capital stock. **Price**—$10 per share. **Proceeds**—To be used in part for the exploration of mines and development and operation of mines and in payment of indebtedness. **Office**—Tucson, Ariz. **Underwriter**—None.

● Houston Corp. (8/18-21)
July 3 filed $36,188,000 of subordinated debentures due Aug. 1, 1968, and 1,809,400 shares of common stock (par $1) to be offered in units of $100 principal amount of debentures and five shares of stock. **Price**—To be supplied by amendment. **Proceeds** — Together with other funds, will be used to purchase the notes and common stock of Coastal Transmission Corp., the notes and common stock of Houston Texas Gas & Oil Corp., and 80% of Jacksonville Gas Corp. common stock, and the balance will be added to working capital and used for general corporate purposes. **Underwriters** — Blyth & Co., Inc., Lehman Brothers and Allen & Co., all of New York, and Scharff & Jones, Inc., of New Orleans, La.

Houston Corp.
July 3 filed 818,333 shares of common stock and 575,869 shares of class A stock to be offered to holders of outstanding common, on the basis of 1.51 times for each share of common stock held and approximately 1.5 shares of class A stock for each 381,273 class A share held. (The right to subscribe with respect to 133,850 outstanding class A shares has been waived.) Furthermore, $511,500 of debentures and an unspecified amount of common shares (to be supplied by amendment) will be issued in connection with the acquisition of outstanding common stock of Jacksonville Gas Corp.

● Hussman Refrigerator Co., St. Louis, Mo.
June 27 filed 21,584 shares of common stock (par $5 being offered in exchange for the issued and outstanding shares of common stock (par $5) of Duro-Consolidated, Inc., and for the shares of Duro common which may be issued upon conversion of Duro's $200.000 subordinated convertible debentures, series of 1956. Offer expires on Aug. 25.

Industrial Minerals Corp., Washington, D. C.
July 24 filed 600,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To develop and operate graphite and mica properties in Alabama. **Underwriters**—Dearborn & Co. and Carr-Rigdom & Co., both of Washington, D. C., on a best efforts basis.

Industro Transistor Corp. (N. Y.)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). **Price**—To be related to the market price. **Proceeds**—For working capital and to enlarge research and development department. **Underwriter** — S. D. Fuller & Co., New York. **Offering**—Being held in abeyance.

Insured Accounts Fund, Inc., Boston, Mass.
May 12 filed 5,000 shares of common stock. **Price**—$5,000 per share. **Proceeds**—For investment. **Business**—To invest primarily in share accounts insured by the Federal Savings and Loan Insurance Corp., in savings and loan associations throughout the country. **Underwriter**—None. Ben H. Hazen is President.

International Opportunity Life Insurance Co.
June 2 filed 5,000,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital and other corporate purposes. **Office**—Denver, Colo. **Underwriter**—Columbine Securities Corp., Denver, Colo.

★ Investors Loan Corp.
July 31 (letter of notification) 3,190 shares of 6% cumulative preferred stock (par $50) and 1,978 shares of common stock (par $1) to be offered in units consisting of one share of each at $56 per unit. Preferred stock can be purchased alone at par. **Proceeds**—To repay bank loans and other short term loans. **Office**—12 South Market Street, Frederick, Md. **Underwriter**—None.

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Investors Realty Mortgage & Financial Corp.
July 24 filed $250,000 of investors income certificates (6% 10-year maturities) and 125,000 shares of class A common stock. **Price**—The certificates will be offered in various denominations at 100% per certificate, and the class A common stock at $2 per share. **Proceeds**—For the purpose of owning, buying and selling, and otherwise dealing in real estate, or matters pertaining to real estate and the improvement thereof, in the areas in which the company will operate. **Office**—Aiken, S. C. **Underwriter**—None.

J. E. Plastics Manufacturing Corp.
July 28 (letter of notification) 39,852 shares of common stock (par 10 cents) of which 38,750 shares will be sold publicly. **Price**—$2.12½ per share. **Proceeds**—To selling stockholder. **Underwriter**—John R. Boland & Co., Inc., 30 Broad St., New York, N. Y.

Jacksonville Capri Associates Ltd., Jacksonville, Fla.
July 23 filed $325,000 of limited partnership interests. **Price**—$5,000 per unit. **Proceeds**—For the purpose of acquiring and operating the Capri Motel in Jacksonville, Fla. **Underwriter**—None.

★ Jiffy Steak Co.
Aug. 4 (letter of notification) 3,000 shares of 7% preferred stock (par $50) and 6,000 shares of common stock (par $5). **Price**—At par. There will be offered one share of common stock at par with each share of preferred stock. **Proceeds**—To purchase machinery and equipment; to reduce bank loans; and the balance used for working capital. **Office**—1497-1499 Third Avenue, Freedom, Pa. **Underwriter**—None.

Kalvar Corp., New Orleans, La.
July 28 (letter of notification) 15,000 shares of common stock (par two cents) to be offered for subscription by common stockholders of record Aug. 15, 1958 on the basis of one new share for each five shares held; rights to expire on Aug. 25, 1958. **Price**—$20 per share. **Proceeds**—To retire bank loans, to invest in fixed assets and for working capital. **Office**—909 South Broad St., New Orleans 25, La. **Underwriter**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

★ Keystone Custodian Funds, Inc.
Aug. 7 filed (by amendment) 1,250,000 shares of Keystone tax Exempt Bond Fund. **Price** — $20 per share. **Proceeds** — For investment. **Underwriter** — Lehman Brothers, New York.

Laclede Gas Co.
June 18 filed $10,000,000 of first mortgage bonds due 1983. **Proceeds**—To refund 4⅞% first mortgage bonds due 1982. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Smith and Reinholdt & Gardner (jointly); Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp. **Bids**—Had been expected to be received up to 11 a.m. (EDT) on July 8, but offering has been postponed indefinitely.

Leader-Cleveland Realty Associates, N. Y.
July 16 filed $1,280,000 of participations in partnership interests. **Price**—$10,000 per participation. **Proceeds**—To purchase the Leader Building in Cleveland, Ohio. **Underwriter**—None.

Life Insurance Securities Corp.
March 28 filed 1,000,000 shares of capital stock (par $1). **Price**—$5 per share. **Proceeds**—To acquire stock control of "young, aggressive and expanding life and other insurance companies and related companies and then to operate such companies as subsidiaries." **Underwriter**—First Maine Corp., Portland, Me.

Longren Aircraft Co., Inc.
June 18 (letter of notification) 34,000 shares of common stock (par $1). **Price**—From 80 cents to $1.40 per share. **Proceeds**—To go to selling stockholders. **Office**—24751 Crenshaw Blvd., Torrance, Calif. **Underwriter**—Daniel Reeves & Co., Beverly Hills, Calif.

Lord Elgin Hotel Corp., N. Y. C.
July 29 filed $1,655,000 limited partnership interests in this company. **Price**—$5,000 per unit. **Proceeds**—To purchase hotel. **Underwriter**—Tenney Associates, Inc., New York.

Ludlow Typograph Co., Chicago, Ill.
July 11 filed 106,156 shares of common stock (par $10) being offered for subscription by common stockholders of record July 31, 1958, on the basis of one new share for each two shares held; rights to expire on Aug. 20, 1958. **Price**—$10 per share. **Proceeds**—For working capital. **Business**—Composing room equipment and printing machinery and equipment. **Underwriter**—Shearson, Hammill & Co., New York.

Magna Investment & Development Corp.
May 26 filed 56,000 shares of common stock and $500,000 of 6% convertible debentures. **Price**—For debentures, at par (in $1,000 units); and for common stock, $4.50 per share. **Proceeds**—For contractual obligations, for working capital, and other general corporate purposes. **Business** — To engage primarily in the development and operation of various properties, including shopping centers. **Office**—Salt Lake City, Utah. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. **Offering**—Expected in latter part of August.

★ Mairs & Power Fund, Inc., St. Paul, Minn.
Aug 6 filed 40,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

Martin Co., Baltimore, Md.
June 11 filed $25,000,000 of sinking fund debentures, due July 1, 1978. **Proceeds** — Working capital and general corporate purposes. **Price**—To be supplied by amendment. **Underwriter**—Smith, Barney & Co., N. Y. Offering, which was expected on July 2, has been postponed. Issue to remain in registration.

Mayfair Markets
March 24 (letter of notification) 5,000 shares of 6% cumulative preferred stock (par $50) and 5,000 shares of common stock (par $1) to be offered in units of one share of preferred and one share of common stock. **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

Mid-West Durex Co., Kansas City, Mo.
July 14 filed 725,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For construction of plant and for working capital. **Underwriter**—Investment Sales, Inc., 532 E. Alameda Ave., Denver 9, Colo.

★ Milgo Electronic Corp.
Aug. 6 (letter of notification) 10,000 shares of common stock (par $1) to be offered for subscription by present stockholders on the basis of one share for each 8.8 shares owned of record date. Rights expire in September. **Price**—$24 per share to stockholders; $26 to general public. **Proceeds**—For test equipment and working capital. **Office**—7601 N. W. 37th Avenue, Miami, Fla. **Underwriter**—None.

• Modern Community Developers, Inc., Princeton, N. J.
May 27 filed 15,000 shares of common stock. **Price**—$100 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None. Statement effective Aug. 5.

• Montana Power Co. (8/26)
July 1 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds** — Together with other funds, to be used to repay $15,500,000 in bank loans and to carry on the company's construction program through 1959. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Bros.; Merrill Lynch, Pierce, Fenner & Smith, and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Kidder Peabody & Co., Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Bids**—To be received up to noon (EDT) on Aug. 26 at Room 2033, Two Rector St., New York, N. Y.

• Montana Power Co.
July 1 filed 100,000 shares of common stock (no par). The stock will be offered only to bona fide residents of Montana. **Price**—To be related to the current market price on the New York Stock Exchange. **Proceeds**—Together with other funds, to carry on the company's construction program through 1959. **Manager-Dealers** — Smith, Barney & Co., Kidder, Peabody & Co. and Blyth & Co., Inc.

• Mortgages, Inc. (8/18)
July 28 (letter of notification) 296,750 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—To be invested in notes secured by first and second liens upon properties to be selected by the management of the company. **Office**—223A Independence Building, Colorado Springs, Colo. **Underwriter**—Copley & Co., Colorado Springs, Colo.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18, 1957 (letter of notification) 60,000 shares of common stock (par 40 cents). **Price**—$5 per share. **Proceeds**—For purchase of land, construction and working capital. **Underwriter**—Southeastern Securities Corp., New York.

Motion Picture Investors Inc.
July 11 filed 200,000 shares of common stock (par $1). **Price**—$10.75 per share. **Proceeds**—For investment. **Office**—1000 Power & Light Bldg., Kansas City, Mo. **Underwriter**—None.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9, 1957 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

National Beryl & Mining Corp., Estes Park, Colo.
May 16 (letter of notification) 2,916,000 shares of non-assessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Underwriter**—Birkenmayer & Co., Denver, Colo.

National Educators Finance Corp.
June 4 (letter of notification) 50,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—To train and procure persons to implement and carry out the projected plan of development and operation. **Office**—1406 Pearl St., Boulder, Colo. **Underwriter**—Western Securities Co., Boulder, Colo.

National Gypsum Co.
June 25 filed 298,000 shares of common stock to be offered in exchange for all but not less than 90% of the outstanding shares of common stock of American Encaustic Tiling Co. Inc., in the ratio of one share of National Gypsum common for each 2-4/10ths of American Encaustic common. National Gypsum shall have the right, at its election, to accept less than 90% but in no event less than 81% of the American Encaustic common. Statement effective July 17.

★ National Steel Corp.
Aug. 11 filed 281,068 shares of capital stock (par $10), to be offered to certain officers and employees of company and its subsidiaries, pursuant to a stock option plan. **Price**—$50 per share.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—To pay loan; to acquire fishing tools for leasing; and for working capital. **Office**—931 San Jacinto Bldg., Houston, Tex. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

New England Telephone & Telegraph Co. (8/26)
July 31 filed $40,000,000 of 34-year debentures due Sept. 1, 1992. **Proceeds** — To refund a like amount of 4½% first mortgage bonds, series B, due May 1, 1961, which are intended to be redeemed on Nov. 1, 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co. **Bids**—To be received at Room 2315, 195 Broadway, New York, N. Y., up to 11 a.m. (EDT) on Aug. 26.

• North Carolina Natural Gas Corp. (9/4)
July 31 filed $5,200,000 of subordinated income debentures due Aug. 15, 1983, and 520,000 shares of common stock (par $2.50) to be offered in units of $20 of debentures and two shares of stock. **Price**—To be supplied by amendment (a maximum of $33 per unit). **Proceeds** — Together with funds from private placement of $13,750,000 of 5⅝% first mortgage pipeline bonds due June 1, 1979, to be used for construction program and working capital. **Office**—Fayetteville, N. C. **Underwriter**—Kidder, Peabody & Co., New York.

North Carolina Telephone Co.
June 19 (letter of notification) 207,143 shares of common stock to be offered to common stockholders at the ratio of one share for each six shares held. **Price**—At par ($1 per share). **Proceeds**—To pay off obligations and for telephone plant construction. **Underwriter**—None.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

Oil Inc., Salt Lake City, Utah
April 4 filed 597,640 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 24, 1958 at the rate of 1¼ new shares for each share then held. Employees may purchase 50,000 shares of unsubscribed stock. **Price**—To stockholders, $1.75 per share; and to public, $2 per share. **Proceeds**—For mining, development and exploration costs, and for working capital and other corporate purposes. **Underwriters**—Harrison S. Brothers & Co., and Whitney & Co., both of Salt Lake City, Utah.

Oil & Mineral Operations, Inc., Tulsa, Okla.
April 14 filed 200,000 shares of common stock. **Price**—$2.50 per share. **Proceeds**—For payment of loans, various—To acquire and operate mining claims and oil and gas equipment, and a reserve for future operations. **Business** properties. **Underwriter**—Universal Securities Co., Enterprise Building, Tulsa, Okla.

• One-Hour Valet, Inc., Miami, Fla. (8/21)
July 29 filed 102,566 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—R. S. Dickson & Co., Inc., Charlotte, N. C.

Paradox Production Corp., Salt Lake City, Utah
April 18 filed 767,818 shares of common stock (par $1), of which 100,000 shares are to be offered by the company in exchange for oil and gas properties and 3,000 for services; the remaining 664,818 shares are to be offered to the public. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Market Securities, Inc., Salt Lake City, Utah. Statement effective June 5.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Peerless Weighing & Vending Machine Corp.
June 27 (letter of notification) a maximum of 25,000 shares of common stock (par $1) to be offered to minority stockholders on the basis of one new share for each four shares held. Any unsubscribed shares will be purchased by Rock-Ola Mfg. Corp. Warrants expire 20 days from date of issuance. **Price**—$4.25 per share. **Proceeds**—For working capital. **Office**—800 N. Kedzie Ave., Chicago 51, Ill. **Underwriter**—None.

Pennsylvania Power Co. (8/27)
Aug. 1 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem a like amount of 5% first mortgage bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Equitable Securities Corp., and Shields & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and Dean Witter & Co. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on Aug. 27.

Peruvian Oils & Minerals Ltd., Toronto, Canada
July 11 filed 200,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Doolittle & Co., Buffalo, N. Y., and Davidson Securities Ltd., Toronto, Canada.

Pillsbury Mills, Inc. (8/18)
July 29 filed 100,000 shares of common stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriters**—Goldman, Sachs & Co., New York. and Piper, Jaffray & Hopwood, Minneapolis, Minn.

Policy Advancing Corp.
March 25 (letter of notification) 30,250 shares of common stock (par $5) to be offered for subscription by common stockholders at the rate of one new share for each share held; unsubscribed shares to be offered to debenture holders and to others. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

★ Ponce de Leon Trotting Association, Inc.
Aug. 7 filed 400,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To pay current liabilities, for new construction and working capital. **Office**—Bayard, Fla. **Underwriter**—Robert L. Ferman Co., Inc., Miami, Fla.

Potomac Plastic Co.
March 31 (letter of notification) $57,500 of 6% subordinated convertible debentures and 57,500 shares of class A common stock (par one cent) to be offered in units of 500 shares of stock and $500 of debentures. **Price**—$1,000 per unit. **Proceeds**—For equipment and working capital. **Office**—1550 Rockville Pike, Rockville, Md. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Prairie Fibreboard Ltd.
Feb. 28 filed 210,000 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price**—$2.50 per share. **Proceeds**—For construction purpose. **Office**—Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., Saskatoon, Canada.

Private Enterprise, Inc., Wichita, Kansas
May 5 filed 125,000 shares of common stock. **Price**—$10 per share. **Proceeds**—To be used to organize, or reorganize and then operate companies in foreign nations, principally, but not exclusively, in the Far East, Near East and Africa. **Underwriter**—None.

Public Service Electric & Gas Co. (8/20)
July 24 filed $60,000,000 of first and refunding mortgage bonds due Aug. 1, 1988. **Proceeds**—To be added to the general funds of the company, and will be used by it for its general corporate purposes, including payment before maturity of $10,000,000 principal amount of unsecured short-term bank loans made to the company on June 30, 1958, and payment of a portion of the cost of its current construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co. and Lehman Brothers (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Aug. 20 at 80 Park Place, Newark, N. J.

Rapid-American Corp., New York
June 19 filed $1,504,000 of 7% sinking fund debentures, due Nov. 15, 1967, together with 105,000 shares of common stock (par $1). **Proceeds**—The debentures are already outstanding having been issued in payment of 47,000 shares of common stock of Butler Brothers which were acquired by Rapid American from 19 persons, including three directors of the corporation. The debentures are being registered against the possibility that they may be sold by present owners. Of the 105,000 common shares, 75,000 are issuable under the company's Restricted Stock Option Plan for officers and key employees, and 30,000 under the Employees' Stock Purchase Plan. **Underwriter**—None.

Rassco Financial Corp. (9/3)
June 26 filed $1,000,000 of 15-year 6% series A sinking fund debentures due 1973, to be offered in denominations of $500 and $1,000. **Price**—At par. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—Rassco Israel Corp., New York, on a "best efforts" basis.

● Richwell Petroleum Ltd., Alberta, Canada
June 26 filed 1,998,716 shares of common stock (par $1). Of this stock, 1,174,716 shares are to be sold on behalf of the company and 824,000 shares for the account of certain selling stockholders. The company proposes to offer the 1,174,716 shares for subscription by its shareholders at the rate of one new share for each three shares held (with an oversubscription privilege). The subscription period will be for 30 days following issuance of subscription rights. **Price**—To be supplied by amendment. **Proceeds**—To pay off demand note, to pay other indebtedness, and the balance if any will be added to working capital. **Underwriter**—Pacific Securities Ltd., Vancouver, Canada.

Riddle Airlines, Inc., Miami, Fla.
May 15 filed 750,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—James H. Price & Co., Inc., of Coral Gables, Fla., for 250,000 shares; balance on "best efforts" basis.

Robosonic National Industries Corp., N. Y.
June 12 filed 500,000 shares of common stock, class B. **Price**—$3 per share. **Proceeds**—To manufacture on a contract basis an automatic telephone answering instrument; the enlargement of the research and development facilities of the company; patent and patent applications; public relations, and for working capital. **Underwriter**—None.

Rocky Mountain Quarter Racing Association
Oct. 31, 1957 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstanding indebtedness. **Office**—Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

★ Ronson Corp.
Aug. 1 (letter of notification) 25,000 shares of common stock (par $1) to be offered to the wholesale district of Ronson Electric Shavers and direct retail accounts of the company. **Price**—$8 per share. **Proceeds**—For working capital. **Office**—31 Fulton Street, Newark, N. J. **Underwriter**—None.

● St. Regis Paper Co., New York
July 8 filed 118,746 shares of common stock (par $5) being offered in exchange for outstanding shares of capital stock of Growers Container Corp., Salinas, Calif., on the basis of one St. Regis share for 18 shares of stock of Growers Container. The offer expires on Aug. 30. **Underwriter**—None.

San Diego Imperial Corp., San Diego, Calif.
June 2 filed 70,000 shares of 5½% cumulative convertible preferred stock. **Price**—At par ($10 per share) **Proceeds**—To retire $550,000 of promissory notes. **Underwriter**—J. A. Hogle & Co., Salt Lake City, Utah. **Offering**—Postponed indefinitely.

★ Servair, Inc.
Aug. 1 (letter of notification) 2,800 shares of 8% cumulative preferred stock (par $100) and 2,800 shares of class B common stock (no par) to be offered in units consisting of one share of each. **Price**—$101 per unit. **Proceeds**—For initial costs of operation, acquisition of equipment and working capital. **Office**—22275 Parnell Road, Shaker Heights 22, Ohio. **Underwriter**—None.

★ Sorg Paper Co., Middletown, Ohio
Aug. 6 (letter of notification) not in excess of $100,000 common stock per year to be issued pursuant to employee stock purchase plan. **Proceeds**—To purchase shares on open market. **Underwriter**—None.

★ South Carolina Electric & Gas Co. (9/10)
Aug. 12 filed $10,000,000 first refunding mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; The First Boston Corp., and Lehman Brothers (jointly). **Bids**—Expected to be received on Sept. 10.

Southern California Edison Co. (8/25)
Aug. 4 filed $50,000,000 of first and refunding mortgage bonds, series K, due 1983. **Proceeds**—To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; First Boston Corp., and Dean Witter & Co. (jointly); Blyth & Co., Inc. **Bids**—Expected to be received up to 9 a.m. (PDT) on Aug. 25 at company office.

Standard Oil Co. (Calif.)
June 4 filed $150,000,000 of sinking fund debentures due July 1, 1983. **Price**—To be supplied by amendment. **Proceeds**—To refinance a bank obligation of $50,000,000 due this year to provide additional capital for the company's overall program. **Underwriters**—Blyth & Co., Inc., and Dean Witter & Co., both of San Francisco, Calif., and New York, N. Y. **Offering**—Postponed from June 25 by the company "due to market conditions." Issue to remain in registration.

Standard Oil Co. (New Jersey) (8/19)
July 31 filed 11,406,078 shares of capital stock (par $7) to be offered in exchange for Humble Oil & Refining Co. capital stock at rate of five Standard Oil shares for each four Humble Oil shares. The offer is expected to remain open until Oct. 14, 1958. **Exchange Agent**—Morgan Stanley & Co., New York.

State Life, Health & Accident Insurance Co.
July 9 (letter of notification) 50,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To be invested in stocks and bonds and to acquire other life insurance companies. **Address**—P. O. Box 678, Gulfport, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss.

Strategic Minerals Corp. of America, Dallas, Tex.
March 31 filed $2,000,000 of first lien mortgage 6% bonds and 975,000 shares of common stock (par 10 cents). **Price**—For bonds, 95% of principal amount; and for stock $2 per share. **Proceeds**—To erect and operate one or more chemical processing plants using the Bruce - Williams Process to beneficiate manganese ores. **Underwriter**—Southwest Shares, Inc., Austin, Texas.

★ Strouse, Inc.
July 29 (letter of notification) 26,850 shares of common stock (par 10 cents) to be issued upon exercise of warrants. **Price**—$1 per share. **Office**—Main & Astor Sts., Norristown, Pa. **Underwriter**—H. A. Riecke & Co., Inc., Philadelphia, Pa.

Sugarbush Valley Corp., Warren, Vt.
June 25 filed $392,800 of 20-year 6% subordinate income debentures due May 1, 1978, and 12,766 shares of common stock (par $1) to be offered in units consisting of $800 principal amount of debentures and 26 shares of stock. **Price**—$1,200 per unit. **Proceeds**—For payment of short-term bank loan and working capital. **Business**—To operate recreation area. **Underwriter**—None.

● Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20, 1957 filed 40,000 shares of common stock (public offering of 500,000 shares now planned). **Price**—$25 per share. **Proceeds**—For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress, which is expected early next week.

Tennessee Gas Transmission Co.
June 2 filed 1,084,054 shares of common stock (par $5) being offered in exchange for common stock of Middle States Petroleum Corp. at the rate of 45 shares of Tennessee Gas common for each 100 shares of Middle States common. The exchange offer is assured as over 80% of Middle States common stock has been deposited. The offer expires Aug. 8. **Dealer-Manager**—Dillon, Read & Co., Inc., New York.

Texas Calgary Co., Abilene, Texas
April 30 filed 2,000,000 shares of capital stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Underwriter**—Thomson Kernaghan & Co., Ltd., Toronto, Canada. To be offered in Canada only.

Thomas Paint Products Co.
May 26 (letter of notification) 1,250 shares of common stock (par $10) and $37,500 of 6% serial subordinated debentures series 1958, to be offered in units of one share of stock and $50 principal amount of debentures to be offered to stockholders on the basis of one unit for each two shares of stock owned (500 of the shares are being offered to the President of the company). **Price**—$60 per unit. **Proceeds**—For working capital. **Office**—543 Whitehall St., S. W., Atlanta, Ga. **Underwriter**—None.

Timeplan Finance Corp.
March 25 (letter of notification) 27,272 shares of 70-cent cumulative preferred stock (par $5) and 27,272 shares of common stock (par 10 cents) to be offered in units of one share to each class of stock. **Price**—$11 per unit. **Proceeds**—For working capital. **Office**—111 E. Main St., Morristown, Tenn. **Underwriter**—Valley Securities Corp., Morristown, Tenn.

Tip Top Oil & Gas Co., Salt Lake City, Utah
April 15 filed 220,000 shares of common stock, of which 200,000 shares are to be publicly offered. **Price**—$5 per share. **Proceeds**—To drill two new wells and for general corporate purposes. **Underwriter**—Andersen-Randolph & Co., Inc., Salt Lake City, Utah.

Trans-America Uranium Mining Corp.
Nov. 6, 1957 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves, and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

Trans-Cuba Oil Co., Havana, Cuba
March 28 filed 6,000,000 shares of common stock (par 50 cents) being offered for subscription by holders of outstanding shares of capital stock and holders of bearer shares, in the ratio of one additional share for each share so held or represented by bearer shares of record May 28, 1958; rights to expire on Aug. 1, 1958. **Price**—50c per share. **Proceeds**—For general corporate purposes, including exploration and drilling expenses and capital expenditures. **Underwriter**—None.

Trans-Eastern Petroleum Inc.
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. **Price**—$4 per share. **Proceeds**—For drilling for oil and gas. **Office**—203 N. Main Street, Coudersport, Pa. **Underwriter**—None.

Triton Corp., Newark, N. J.
Aug. 1 filed $1,600,000 of 5% debentures due 1973, 4,000 shares of 6% preferred stock (par $100) and 48,000 shares of common stock (par $1) to be offered in units of $8,000 of debentures, 20 shares of preferred stock and 240 shares of common stock. **Price**—$10,240 per unit. **Proceeds**—To acquire, own and operate interests in producing oil and gas properties. **Underwriter**—None. **Office**—11 Commerce Street, Newark, N. J. Timothy H. Dunn is President.

Twentieth Century Investors, Inc., Kansas City, Mo.
June 20 filed 2,000,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

Twentieth Century Investors Plan, Kansas City, Mo.
June 20 filed $10,000,000 of plans for the accumulation of shares of Twentieth Century Investors, Inc. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Stowers & Co., Kansas City, Mo.

United Asbestos Corp., Ltd., Montreal, Canada
July 29 filed 225,000 shares of capital stock (par $1) to be issued upon exercise of options exercisable at $4 per share. **Proceeds**—To pay outstanding liabilities, to increase working capital and for general corporate purposes. **Underwriter**—None.

United Employees Insurance Co.
April 16 filed 2,000,000 shares of common stock (par $5). **Price**—$10 per share. **Proceeds**—For acquisition of operating properties, real and/or personal, including office furniture, fixtures, equipment and office space, by lease or purchase. **Office**—Wilmington, Del. **Underwriter**—None. Myrl L. McKee of Portland, Ore., is President.

★ United Life & Accident Insurance Co.
Aug. 8 (letter of notification) 410 shares of capital stock (par $20). **Price**—$375 per share. **Proceeds**—For capital and surplus accounts. **Office**—2 White St., Concord, N. H. **Underwriter**—None.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office**—Houston, Texas. **Underwriter**—None. Statement effective June 23.

United States Telemail Service, Inc.
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York.

Universal-Cyclops Steel Corp. (8/26)
Aug. 5 filed $22,500,000 of sinking fund debentures due Sept. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To repay $10,300,000 of bank loans and for construction program. **Underwriter**—A. G. Becker & Co., Inc., Chicago, Ill., and New York, N. Y.

Universal Oil Recovery Corp., Chicago, Ill.
June 4 filed 37,500 shares of class A common stock. **Price**—$4 per share. **Proceeds**—For exploration and development of properties, and the balance for other corporate purposes. **Underwriter**—None.

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Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—305 Main St., Park City, Utah. **Underwriter**—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas lands. **Office**—574 Jefferson Ave., Rochester 11, N. Y. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

● **Utah Power & Light Co. (9/9)**
June 26 filed $20,000,000 of first mortgage bonds due 1988. **Proceeds**—To redeem $15,000,000 of first mortgage bonds, 5¼% series due 1987, to repay $4,000,000 of bank borrowings, and the balance together with further borrowings under a bank agreement and cash generated in the business will be used to carry forward the construction program of the company and its subsidiaries amounting to approximately $43,000,000 for the period 1958-1960. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp. and Blyth & Co. Inc. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Salomon Brothers & Hutzler; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., and Smith, Barney & Co. (jointly). **Bids**—Expected to be received in Room 2033, 2 Rector Street, New York, N. Y., up to noon (EDT) on Sept. 9.

Western Carolina Telephone Co., Weaverville, N. Car.
June 6 filed 89,391 shares of common stock to be offered for subscription by holders of outstanding common stock at the rate of one new share for each three shares held. The record date is to be supplied by amendment. **Price**—At par ($5 per share). **Proceeds**—To be applied to the payment of $700,000 of short-term bank loans incurred in carrying forward the company's construction and conversion program. **Underwriter**—None.

Western Industrial Shares, Inc., Denver, Colo.
July 16 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—For investment. **Underwriter** — Andersen, Randolph & Co., Inc., 65 So. Main St., Salt Lake City, Utah.

Western Pacific Mining Co., Inc.
May 26 filed 564,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For capital expenditures and exploration costs. **Office**—Santa Paula, Calif. **Underwriter**—None.

Westland Oil Co., Minot, N. Dak.
April 17 filed 7,799 shares of capital stock to be offered for subscription by stockholders of record March 24 at rate of one new share for each four shares held and one additional share for the balance of such holdings in excess of the number of shares divisible by four; also to be offered holders of outstanding 5% subordinated debentures of record March 24 at rate of five shares for each $1,000 of debentures then held. **Price** — $60 per share. **Proceeds**—For working capital. **Underwriter**—None.

Willer Color Television System, Inc.
April 2 (letter of notification) 72,035 shares of common stock (par $1) of which 10,000 are to be offered to stockholders at $2 per share and the remaining 62,035 shares are to be publicly offered at $3 each. **Proceeds** — For general corporate purposes. **Office**—151 Adell Avenue, Yonkers, N. Y. **Underwriter** — Edwin Jefferson, 39 Broadway, New York 6, N. Y.

Prospective Offerings

Acme Steel Co.
March 21 it was announced that the company plans additional financing this year, in the form of common stock, preferred stock, or a combination of the two, including bank loans. **Proceeds**—For expansion program, working capital and inventories. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Smith.

American-South African Investment Co.
June 13 filed for permission to become registered as an investment company of the closed-end type under the Investment Company Act of 1940. **Business**—The trust, incorporated under the laws of the Union of Africa, has been organized to provide a medium for investment in the common shares of companies engaged in business in South Africa, with particular emphasis on those engaged in mining gold. The trust may also invest to a certain extent in gold bullion. **Underwriter**—Dillon, Read & Co. Inc., New York.

Austria (Republic of)
July 15 it was announced that the country contemplates the issuance and sale of $30,000,000 bonds. **Proceeds**—For electric power projects and other improvements. **Underwriter**—May be Kuhn, Loeb & Co., New York. **Offering**—Expected in October or early November.

Basic, Inc., Cleveland, O.
Aug. 2 it was announced stockholders on Aug. 28 will vote upon a refinancing program intended to replace present mortgage debt and preferred stock with a new note and two new issues of preferred stock, to provide about $3,325,000 of new money with which to complete plant improvements under way since early this year, retire bank loans that had been made to finance the improvements, and provide additional working capital. **Underwriter**—Hallgarten & Co., New York, handled last preferred stock financing.

California Electric Power Co.
July 14 it was announced company contemplates marketing between $5,000,000 and $7,000,000 securities in October, 1958. Neither the exact date of the offering nor the nature of the securities to be offered has been determined. Decision on these two points will probably not be reached until mid-August or early September. **Proceeds**—To repay bank loans.

Central Hadley Corp.
The shareholders of the company at a special meeting held on June 25, approved an amendment to the certificate of incorporation authorizing an issue of 200,000 shares of 5% cumulative convertible preferred stock (par $10). Convertible into common stock at the rate of $2.86 per share. **Proceeds**—To retire outstanding notes of a subsidiary in the amount of $768,000.

Central Louisiana Electric Co., Inc.
March 28 it was announced that the company's financing program for the year 1958 anticipates the sale of both debt and equity securities (probably preferred stock) aggregating approximately $5,000,000. Both issues may be placed privately.

Cincinnati & Suburban Bell Telephone Co. (10/21)
July 7 it was announced that the directors have authorized the sale of not exceeding $25,000,000 debentures having a maturity of not more than 35 years. **Proceeds**—To repay advances received from American Telephone & Telegraph Co. which owns 29% of the outstanding common stock of the company. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Glore, Forgan & Co. and Eastman Dillon Union Securities & Co. (jointly). **Bids**—Expected to be received on or about Oct. 21.

Consumers Power Co. (9/23)
July 17 it was announced that the company plans to issue and sell not more than $40,000,000 of first mtge. bonds due 1988. **Proceeds**—For expansion and improvement of service facilities. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). **Bids**—To be received on Sept. 23.

Consumers Power Co. (9/23)
July 17 it was announced that the company plans to issue and sell not more than 200,000 shares of pfd. stock. **Proceeds**—For expansion and improvement of service facilities. **Underwriter**—May be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Bids**—Expected to be received on Sept. 23.

Equitable Gas Co.
July 18 it was announced that the company expects later in the year to issue and sell additional securities, probably preferred stock, to secure approximately $5,000,000 of additional funds. **Proceeds**—Together with $7,000,000 from private sale of 4½% bonds, to repay short-term bank loans and for construction program. **Underwriters**—May be The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; and White Weld & Co., all of New York.

Gas Service Co.
March 24 it was reported that company plans to issue $11,000,000 of first mortgage bonds later this year. No decision as yet has been made as to the procedure the company will follow. **Proceeds**—For repayment of short-term notes and loans and for construction program. **Underwriter** — If determined by competitive bidding, probable bidders may be Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith, and White Weld & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp.; Lehman Brothers.

General Public Utilities Corp.
April 7 stockholders approved a plan authorizing the directors in connection with an offering of common stock to stockholders, also to offer certain shares on the same terms to employees, including officers, of System companies. **Clearing Agent**—Merrill Lynch, Pierce, Fenner & Smith, New York.

● **Grace Line Inc. (9/2-5)**
Company plans to issue approximately $18,000,000 of government insured bonds secured by first preferred ship mortgages on the new "Santa Rosa" and "Santa Paula." The financing will comprise two issues of $9,000,000 each. **Underwriters**—Merrill Lynch, Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith, Barney & Co.; White, Weld & Co.; and F. Eberstadt & Co., all of New York. **Offerings**—"Santa Rosa" offering expected early in September and "Santa Paula" offering later in year.

Great Atlantic & Pacific Tea Co.
Feb. 19 it was reported a secondary offering of common voting stock is expected in near future. **Underwriters**—May include: Blyth & Co., Inc.; Carl M. Loeb, Rhoades & Co.; Hemphill, Noyes & Co.; Smith, Barney & Co.; and Merrill Lynch, Pierce, Fenner & Smith.

Gulf Interstate Co.
June 5 it was announced company (formerly known as Gulf Interstate Oil Co.) intends to obtain a minimum of $2,000,000 and a maximum of $5,000,000 via an offering of new shares of common stock to stockholders in August or September. **Proceeds** — For working capital.

Gulf States Utilities Co. (9/15)
July 28 it was announced that the company plans to issue and sell $17,000,000 of first mortgage bonds due 1988. **Proceeds** — Will be used to retire its presently outstanding $17,000,000 issue of 4⅞% bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith and White Weld & Co. (jointly); Stone & Webster Securities Corp.; and Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. **Bids**—Expected to be received on Sept. 15.

Kansas Gas & Electric Co.
March 31, G. W. Evans, Chairman, announced that company plans to sell some bonds originally scheduled for mid-year, but which sale may now be deferred until late 1958 or early 1959. **Proceeds**—About $8,000,000 for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co., and Goldman Sachs & Co. (jointly).

Kansas Power & Light Co.
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp.

Kentucky Utilities Co.
June 16 company stated it will sell bonds and/or common stock in the last quarter of 1958. **Underwriters**—Blyth & Co., Inc. and J. J. B. Hilliard & Son.

Laboratory for Electronics, Inc.
July 3, Henry W. Harding, President, announced that the directors are currently considering refinancing $790,000 of outstanding notes ($658,750 held by a principal stockholder and $131,250 by a bank) on a more permanent basis. This may be done through equity or convertible debenture financing. **Office**—75 Pitts St., Boston, Mass.

Master Fund, Inc., Fairfield, Calif.
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

Midland Enterprises, Inc.
March 28, company announced it plans to issue on or before Dec. 31, 1958 $3,200,000 of first preferred mortgage bonds. May be placed privately. **Proceeds** — To repay bank loans and for working capital.

Midwestern Gas Transmission Co.
March 24 it was announced that this subsidiary of Tennessee Gas Transmission Co. has applied to the Federal Power Commission for permission to issue first mortgage bonds, unsecured notes and common stock. **Proceeds**—To build pipe line system to cost about $111,000,000. **Underwriters** — Stone & Webster Securities Corp. and White Weld & Co., both of New York.

● **Missouri Pacific RR. (8/14)**
Bids are expected to be received by this company up to noon (CDT) on Aug. 14 for the purchase from it of $4,275,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Montana-Dakota Utilities Co.
March 24 it was announced the company plans to issue and sell an undetermined amount of first mortgage bonds (about $10,000,000) in the latter part of this year or in early 1959. **Proceeds** — To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co., Inc., (jointly); and Blair & Co., Inc.

● **Moore-McCormack Lines, Inc. (9/15-19)**
March 24 it was announced company plans to issue and sell $24,000,000 of government insured bonds secured by a first preferred ship mortgage on the liners S. S. Brasil and S. S. Argentina. **Underwriters**—Kuhn, Loeb & Co. and Lehman Brothers, both of New York.

Mountain State Tele. & Tele. Co. (9/30)
July 29 it was announced company plans to offer to its stockholders of record Sept. 26, 1958 the rigths to subscribe on or before Oct. 24, 1958 for 700,961 additional shares of capital stock on the basis of one new share for each five shares held. American Telephone & Telegraph Co., the parent, owns over 80% of the 3,504,809 outstanding shares. **Price** — At par ($100 per share). **Proceeds**—To repay temporary loans made to finance the company's expansion program. **Underwriter**—None.

National Fuel Gas Co. (10/1)
Aug. 4 it was reported company plans to issue and sell $25,000,000 of 25-year sinking fund debentures. **Proceeds**—To refund $15,000,000 outstanding 5½% sinking fund debentures and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Oct. 1.

New York State Electric and Gas Co.
March 7 it was announced that approximately $7,500,000 from additional financing will be required for construction expenditures for the balance of this year. The management intends to negotiate a new line of credit with a

group of banks and expects to sell equity securities later this year or in early 1959, depending upon prevailing market conditions. **Underwriter**—For any common stock: The First Boston Corp., New York.

Norfolk & Western Ry. (8/20)
Bids are expected to be received by the company up to noon (EST) on Aug. 20 for the purchase from it of $2,310,000 of series D equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co.
June 10 it was announced company will sell this September $20,000,000 mortgage bonds providing new gas supply from Northern Natural Gas Co. is approved by Federal Power Commission. In event this project has to be deferred, company will likely issue $10,000,000 bonds later in the year. Company's 5-year construction program calls for $90,000,000 outlay. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

Pacific Automation Products, Inc.
July 28 it was reported that the company plans early registration of about 125,000 shares of common stock. **Underwriter** — William R. Staats & Co., Los Angeles, Calif. **Offering**—Expected around Sept. 15.

Pacific Gas & Electric Co.
March 20 it was reported company plans sale of an undetermined amount of bonds and/or preferred stock in the latter part of this year or early 1959. **Underwriter** —(1) For bonds to be determined by competitive bidding. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; (2) For preferred stock: Blyth & Co., Inc.

Pacific Telephone & Telegraph Co.
July 31 it was reported company plans about $250,000,000 of financing late this year (part in bonds and balance in common stock). **Proceeds**—for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Panama (Republic of)
July 14 it was announced a public offering is expected of approximately $26,000,000 external bonds. **Proceeds**—To redeem certain outstanding debt and for Panama's feeder road program. **Underwriter**—Lehman Brothers, New York.

Peoples Gas Light & Coke Co.
Aug. 1 the directors approved a program for the offering of approximately $17,000,000 of additional capital stock to stockholders later this year. **Underwriter**—None.

• Public Service Co. of Indiana, Inc. (9/17)
July 30 company applied to the Indiana P. S. Commission for authority to issue and sell 242,826 shares of new series of convertible preferred stock (par $100) to be offered for subscription by common stockholders on the basis of one new preferred share for each 20 common shares held as of Sept. 16, 1958; rights to expire on Oct. 6. **Proceeds**—To reduce bank loans. **Underwriter** —Blyth & Co., Inc., New York and San Francisco.

St. Joseph Light & Power Co.
April 15 it was announced that the company plans to market $6,500,000 in bonds or preferred stock "sometime this summer." The stockholders on May 21 voted on authorizing an increase in bonded indebtedness of $6,500,000, and an increase in preferred stock from 25,000 shares to 50,000 shares. **Proceeds** — For repayment of short-term bank loans and for construction program. **Underwriter**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co., Glore, Forgan & Co. and Blair & Co. Inc. (jointly); White, Weld & Co.; Equitable Securities Corp. Last preferred financing was done privately.

Sanborn Scientific Instrument Co. (Mass.)
Aug. 4 it was reported company plans to issue and sell 100,000 additional shares of common stock, of which it is intended to offer 17,000 shares in exchange for outstanding preferred stock. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass. **Offering**—Expected in October, 1958.

Sears, Roebuck & Co.
Aug. 5, Charles H. Kellstadt, President, announced that the company will issue and sell $350,000,000 long-term debentures. **Proceeds**—To expand retail and mail order activities and to retain a larger portion of the company's accounts receivable. **Underwriters**—Goldman, Sachs & Co., Halsey, Stuart & Co. Inc. and Lehman Brothers, all of New York. **Offering**—Expected in September.

Southern Colorado Power Co.
May 9 stockholders authorized an additional 100,000 shares of preferred stock (par $50). **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis.

Southwestern Bell Telephone Co. (9/30)
July 10 it was announced Missouri Public Service Commission authorized the company to issue $110,000,000 of 35-year debentures. **Proceeds** — To refund outstanding issue. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Standard Oil Co. (Indiana)
July 30 it was announced company has under consideration long-term financing through a public offering of approximately $200,000,000 of debentures. **Proceeds**—Probably for expansion, working capital and other corporate purposes. **Underwriter** — Morgan Stanley & Co., New York. **Offering**—Expected in the early Fall.

• Stevens Markets, Inc., Miami, Fla. (9/9-10)
July 31 it was reported that company plans early registration of about 50,000 shares of $25 par value convertible preferred stock. **Underwriter**—R. S. Dickson & Co., Inc., Charlotte, N. C.

• Thiokol Chemical Co. (9/5)
Aug. 4, J. W. Crosby, President, announced company is planning to offer to its common stockholders some additional common stock (approximately 105,488 shares) at the rate of one new share for each 12 shares held, probably this fall. Long-term financing is also being considered. **Underwriter**—Kidder, Peabody & Co., New York.

Union Electric Co., St. Louis, Mo.
March 28 it was announced company plans to market about $30,000,000 of common stock in the latter part of this year or in the first quarter of 1959. **Proceeds**—For construction program.

★ Universal Oil Products Co.
Aug. 13 it was reported that an issue of common stock will soon be offered to the public, the proceeds of which may run between $50,000,000 and $60,000,000. Approval of the transaction rests with the New York State Supreme Court (expected within two months). **Proceeds**—To the Petroleum Research Fund of the American Chemical Society. **Underwriters**—To be named later. **Offering** — Expected in mid-Autumn, probably late in October.

Venezuela (Government of)
July 1 the Government announced that Kuhn, Loeb & Co. and Kidder, Peabody & Co., both of New York, have been selected as financial advisors to develop a financial program for the country. As a first step in the program a short-term credit is being negotiated between the government in cooperation with the two investment banking firms and a syndicate of commercial banks in the United States, Canada and the United Kingdom. The three institutions which are to head this syndicate are The Chase Manhattan Bank, The First National City Bank of New York, and Bank of America National Trust & Savings Association. The Chase Manhattan Bank will be the fiscal agent for the credit. The amount of the new financing involved is in the neighborhood of $250,000,000. The purpose is to restore government balances which have been reduced by the repayment of excessive short term obligations previously incurred.

Wisconsin Power & Light Co.
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co.

Wizard Boats of Tennessee, Inc.
July 28 it was reported that the company plans an offering of 150,000 shares of common stock and 75,000 warrants, which are expected in units of one common share and one-half warrant. **Price**—$2 per unit. **Underwriters** —Clark, Landstreet & Kirkpatrick, Inc. and W. N. Estes & Co., both of Nashville, Tenn.

Our Reporter's Report

The corporate capital market found itself in a state of utter confusion the early part of this week as the Treasury bond market extended its long decline to new low levels for the year.

If the behavior of the government bond market arises, as seems to be generally believed, from the routing of a burdensome speculative interest, then perhaps the time has come to do something about the situation.

Recurring unsettlement in the Treasury market, certainly suggests that the "shoe-string" boys, the 10 percenters, should be made to face up to the same margin requirements as other traders.

There is little consolation for the Treasury, it would appear, in heavy oversubscription of its new issues, if as has proved the case, especially on the occasion of the new 3¼s and 2⅝s, the subsequent unloading of the "free-riders" or the speculative fringe, creates such disturbance as it has currently.

Corporate borrowers have been penalized along with the Treasury on this occasion. This week, for example, two of the four firms which had scheduled public offerings of new debt securities decided to withdraw the projected offerings.

They naturally concluded that more propitious market conditions would develop later which would allow them to obtain funds on a more satisfactory basis than might be the case currently.

Decisions by Montana Power Co. and Utah Power & Light Co., to postpone new offerings just about halved volume which had been scheduled this week. Each of these utilities had planned to take bids for $20 million of new debt securities.

But late last week Utah Power decided to set back its proposed offering until Sept. 9. And on Monday Montana Power withdrew its call for bids which would have been opened on Tuesday and rescheduled the issue for Aug. 26.

In both instances the action was dictated naturally by the unfavorable behavior of the investment markets, corporate as well as government.

Cons. Natural Gas Debentures

Consolidated Natural Gas Co., the only other utility which had scheduled an issue, $45 million of 25-year debentures, stuck to its schedule, presumably encouraged by the rally in governments late on Tuesday.

The debentures drew a total of three bids, the best fixing a price of 100.1599 for a 4⅜% coupon. Both other bids were for a 4½% rate.

The successful group fixed a reoffering price of 101.142 for an indicated yield of 4.30%. This potential return apparently made the Triple A rated issue attractive, for preliminary inquiry, prior to the opening of the books, was reported brisk with the issue moving well.

Looking Ahead

Next week's new debt offering calender is rather negligible unless you included Public Service Electric & Gas Corp.'s $60 million of bonds, due up for bids on Wednesday. If this issue goes to market on schedule it will permit retirement of $10,000,000 bank loans ahead of schedule and provide funds for expansion.

On Wednesday, too, American Petrofina Inc. is due to sell $6,950,000 of debentures.

Pillsbury Mills Inc.'s 100,000 share common offering is slated to start the week on Monday while on Tuesday the Standard Oil Co. (N. J.) will be seeking to exchange 11,406,078 shares of its stock for Humble Oil & Refining stock on a basis of five SONJ for four Humble.

Two With Plymouth

(Special to The Financial Chronicle)

MIAMI, Fla.—Jack Grover and Robert A. Hand have been added to the staff of Plymouth Bond & Share Corporation, Ainsley Building.

H. M. Frumkes Adds

Donald F. Dube has become associated with H. M. Frumkes & Co., 120 Broadway, New York City, members of the New York Stock Exchange, as registered representative.

Form Southern Securities

JACKSON, Tenn. — Southern Securities has been formed with offices at 105 South Market Street to engage in a securities business. Carroll H. Little, Jr. is a principal.

Mutual Funds

By ROBERT R. RICH

Record High Reached By I. C. A.

Total assets of The Investment Company of America reached a new high of $105,668,971 on June 30, 1958, compared to $88,737,452 at the beginning of the year, it was announced by President Jonathan B. Lovelace in his semi-annual report to the shareholders. Net assets per share increased to $8.54 for each of the 12,372,764 shares outstanding June 30, compared to $7.58 a share on the 11,708,464 shares outstanding Dec. 31, 1957. This represents an increase during the six-months period of 14%, after adjusting for the capital gain distribution of 10 cents.

Net income for the six months ended June 30, 1958, excluding realized gain on sales of securities, was $1,483,479, equivalent to 12.3 cents per share on the 12,067,449 average number of shares outstanding during the period. This net income compares with $1,374,999 for the six months ended June 30, 1957, equivalent to 13.1 cents per share on the lesser number of shares outstanding during that period.

On June 30, The Investment Company of America was 77% invested in common stocks. Mr. Lovelace stated that this position reflects the confidence of the Fund's management in the long-term future of American industry and the belief that many stocks are selling at attractive prices in relation to fundamental values. "We are of the opinion," he said, "that the business decline has been halted, the danger of a snowballing recession averted, and that irregular improvement has begun; however, it may be a year or more before the business returns to the pre-recession level and even longer before growth is resumed. Because of the uncertainties in the international situation and the belief that the increasing rate of business activity will not of itself fully relieve the profit squeeze which many companies are experiencing, we have considered it prudent and potentially profitable to hold a substantial proportion of the company's assets in highly liquid form."

New names added to the portfolio during the quarter just ended include Abbott Laboratories, American Airlines, Borden, Brunswick-Balke-Collender, Celotex, Coca-Cola, Colgate-Palmolive, The Grolier Society, Martin, Pfizer, Polaroid, Smith, Kline & French, and United Fruit.

Companies whose stock was eliminated entirely from the portfolio during the quarter included Bethlehem Steel, Delaware Power & Light, Ex-Cell-O, Lone Star Cement, National Theatres, Republic Steel, and Westinghouse Electric.

Incorporated Holds Insurance Stocks In High Favor

Net assets of Incorporated Investors increased from $217,000,000 to $238,000,000 during the quarter ended June 30, 1958 according to the Fund's 130th Quarterly Report to Stockholders. Net asset value per share increased from $6.94 to $7.55.

In the message from Chairman William A. Parker and President Charles Devens stockholders were advised of the reasons why important additional commitments were made in insurance stocks during the period. These commitments were largely in life insurance companies, but also in the fire and casualty segments of the industry as follows: Aetna Life Insurance, National Life and Accident Insurance, Travelers Insurance Co., and Fireman's Fund Insurance Co.

"In our judgment life insurance is a true growth situation," the Chairman and President report. Factors contributing to its continued growth are an increasing population with higher incomes plus the desire for greater security and concern about the future of the value of the dollar: people feel it necessary to offset the declining buying power of the policies they now own by increasing the amount of their existing policies. Longer life expectancy gives insurance companies additional years to receive premiums over and above which they expected since a great amount of life insurance presently in force was written on the basis of mortality rates now obsolete.

The report also throws an interesting light on the importance of research as a key to many long range investment opportunities. The significant rise a company's earnings may have as a result of discoveries and developments through research is illustrated by Smith, Kline and French whose earnings rose from $1.01 per share to $4.24 per share in about four years largely as a result of the introduction of tranquilizers. International Business Machines' per share earnings increased from $2.78 to $7.54 in the five years following the introduction of its 700 series of giant computers.

Other new commitments to the portfolio during the period were Grand Union Co. and Michigan Chemical. Additions were made to commitments in Chicago and Northwestern Railway Co., preferred, Merck and Co., Signal Oil & Gas Co. and White Eagle Oil Co.

Sales were made in Hancock Oil Co. while Bridgeport Brass, B. F. Goodrich, Hudson's Bay Oil and Gas Co., Ltd., Koppers Co., Magma Copper, National Lead, New Jersey Zinc and the debentures of J. Ray McDermott and Co. were entirely sold out of the portfolio.

Johnston Mutual Share Value Rises —$18.73 to $20.25

The Johnston Mutual Fund Inc. reports net assets June 30, 1958, of $6,405,342.97, equivalent to $20.25 per share on 316,340 shares outstanding. This compares with $5,733,739.45, or $18.73 per share, on Dec. 31, 1957; and with $6,148,259.40, or $21.56 per share, on June 30, 1957, on shares outstanding at these respective dates. A capital gains distribution of $0.46 per share was made on Dec. 20, 1957.

During the quarter the Fund added the following securities to its portfolio: Commonwealth Edison Co. 3¾%, March 1, 1988; Tennessee Gas Transmission Co. 5¼%, July 1, 1977; Texas Co. 3⅝%, May 1, 1983; Eastern Industries, Inc. $0.70 Convertible Preferred; Tennessee Gas Transmission Co. 5.16% Preferred; South Carolina Electric and Gas Co.; U. S. Foil Co. "B"; Eastman Kodak Co.; American Cyanamid Co.; General Electric Co. and Youngstown Sheet and Tube Co. Eliminations from the portfolio were: Commonwealth Edison Co. 4¼%, March 1, 1987; Tennessee Gas Transmission Co. 3½%, Feb. 1, 1975; General Motors Acceptance Corp. 3½%, March 1, 1979; Buckeye Pipe Line Co.; Chrysler Corp. and Stone and Webster, Inc. Major increases were made in the holdings of Merck and Co., Schering Corp., Royal Dutch Petroleum Co. and Polaroid Corp.; a major reduction was made in the holding of Kaiser Aluminum and Chemical Corp.; and holdings of other securities were increased or decreased slightly during the period.

C I F Shares Show Gain of 43 Cents In First Ten Weeks

Shares of Consumers Investment Fund, a new mutual fund headed by Dan A. Kimball, formerly Secretary of the Navy and now President of the Aerojet-General Corporation, are now available through registered South Carolina securities dealers.

The objective of the Fund is to promote the interests of the consumer as an investor. The Fund's new investment approach calls for investments in various industries in proportion to their contribution to the consumer dollar.

The public offering price of CIF shares on Aug. 7 was $5.99, an increase of 43 cents in the past 10 weeks when the shares first became available to the public.

With Carroll Secs.

(Special to THE FINANCIAL CHRONICLE)

BROOKLINE, Mass.—Roland A. Pettinati is now affiliated with Carroll Securities Company, 1731 Beacon Street. He was formerly with Investors Planning Corporation of New England, and Palmer, Pollacchi & Co.

Keystone Registers Issue to Finance Tax-Exempt Fund

Keystone Tax Exempt Bond Fund (Series B-1) has filed with the SEC an amendment to its registration statement covering a proposed public offering of 1,250,000 shares of capital stock of the fund at $20 per share. The financing is contingent upon passage of legislation which permits an investment company whose assets are almost exclusively in tax exempt securities (more than 95% of its gross income must be derived from such securities) to distribute tax free to shareholders, its net income from tax free securities. Such legislation is presently pending before Congress and it is anticipated will be enacted prior to the adjournment of the present session.

Lehman Brothers will manage the underwriting and will form a nation-wide underwriting group.

The fund is open-end and the shares covered by the registration statement will be offered at the fixed price of $20 a share, subject to adjustment for quantity discounts, during the period of the underwriting. The fund is a continuation of Keystone Custodian Fund, Series B-1, in operation since 1935 as an open-end diversified investment company.

Stockholders of Keystone Custodian Fund (Series B-1) in anticipation of the new legislation have approved amendments to the Trust Agreement to make it possible for the fund to operate as a tax exempt fund. Prior to the closing the fund will distribute to its present stockholders such of its portfolio of non-tax exempt bonds so as to permit its operations as a tax-exempt fund.

It will be the policy of the fund to confine its investments to tax exempt obligations, except that, pending investment in tax-exempt securities, assets may be held in cash or temporarily in obligations of the U. S. Government.

Future Planning Announces New Investment Plans

Future Planning Corp., now in its 34th month of operation, has filed three new investment plans with the Securities and Exchange Commission for the accumulation of shares of Pioneer Fund, Inc., one of the oldest mutual funds in the United States, Karl D. Pettit, Jr., President of Future Planning, announced.

Karl D. Pettit, Jr.

The purpose of the new filing is to enable Future Planning to service more thoroughly the varied needs of the investing public, Mr. Pettit stated. He stressed that F. P. C. would continue to offer investment plans for the accumulation of shares of The Knickerbocker Fund and that his organization was adding plans for the purchase of Pioneer Fund shares in answer to a strongly felt need among large segments of investors.

Incorporated as an investment company in 1928, Pioneer Fund, Inc. currently has assets in excess of $24 million which represent an interest in a broad section of American industry. Mr. Pettit explained that one of the principal reasons for Future Planning's selection of Pioneer Fund shares as the underlying security for the firms' three new investment plans

was the outstanding job done over the years by Pioneer management in maintaining its objectives of growth of principal and reasonable income.

He noted that Pioneer's management has constantly sought out good values in special types of situations. Securities of lesser known companies, where something special was or is about to happen which would enhance the financial well being of those companies, have been the objective of Pioneer's management for years, Mr. Pettit said, adding that results to date indicate that this policy has been quite successful.

The Chemical Corn Exchange Bank will act as the custodian. To further meet the needs of investors, Future Planning has arranged with the Life Insurance Co. of North America to offer insurance which would guarantee completion of investment programs in the event of the Planholder's death up to a maximum of $30,000.

Future Planning Corp. will offer the new plans on a national basis through its own retail operation and there will also be distribution through selected broker-dealers.

Future Planning Corp., with offices in the Empire State Building, 350 Fifth Avenue, New York City, is a member of the Association of Mutual Fund Plan Sponsors, Inc.

Wellington Sales Set All-Time Monthly Record

Wellington Fund sales for the month of July 1958, in the amount of $12,225,000, were the highest for any month in the history of the $730 million mutual fund.

This represented an increase of over $4 million compared with July 1957, according to A. J. Wilkins, Vice-President. The comparable July figures were:

July 1958	$12,225,000
July 1957	7,993,000

The July record volume continued the trend shown by earlier months of 1958. Including the July totals, comparable sales were as follows:

First seven months of 1958	$65,758,061
First seven months of 1957	55,011,907
Increase	$10,746,154

The increase represents a gain of over 19% compared with the 1957 seven-month period.

General Public Service Reports Net Asset Gain

General Public Service Corp., closed-end investment company, reports that its net assets at market value on June 30, 1958 were $27,822,665, equivalent to $5.61 per share on 4,956,528 shares of common stock outstanding. The asset value on March 28, 1958 was $5.20 per share and at the close of 1957 was equal to $4.92 per share.

The report also compares the current asset value of $5.61 per share with that of $5.42 per share on June 30 a year ago, when many of the standard market averages were at a higher level. It points out that such a comparison should also include the year-end distribution of 14 cents per share from realized net gain on investments.

At June 30, 1958, holdings of utility common stocks represented 50% of total net assets; natural gas transmission and distribution 13%; oils and natural gas production 12%; miscellaneous industrial 17%; and cash and other current assets 8%.

Principal portfolio transactions for the quarter include the purchase of 12,000 additional shares of Transcontinental Gas Pipe Line and 2,000 shares of U. S. Steel. Sales include 3,000 shares of Aluminium Ltd.

30% Sales Gain for Broad St. Group

Gross sales of new shares of the Broad Street Group of mutual funds totaled $2,615,000 in July to register a gain of 30% over June sales of $2,001,000, according to Milton Fox-Martin, President of Broad Street Sales Corporation, national distributor of the shares of Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc. July sales of the three Funds were 55% greater than those in June, if allowance is made for the fact that sales for the earlier month included $316,000 of dividends of the Broad Street funds plowed back by shareholders into additional shares. According to Mr. Fox-Martin, July sales were the second largest in the history of the Broad Street funds and came within $19,000 of the record set in January 1957. As compared with July 1957, this year's total represented a gain of about 53%.

"This up-surge of interest on the part of independent investment dealers and their clients in established mutual funds is a strong indication that a growing number of large and small investors have confidence in the future earnings prospects of American industry, as well as a growing awareness of the benefits and convenience of participating in this growth as part owners of a diversified group of selected corporations through professionally managed mutual funds," the Broad Street president stated. "This is an age of specialists and professionals. The investing public is turning in greater numbers to mutual funds for the professional management of their invested dollars . . . just as they look to lawyers for the handling of legal matters—doctors for medical care —accountants for tax and financial services."

Chemical Fund's Assets Hit All-Time Record

Chemical Fund, Inc. announced that its net assets had reached $166,834,285, the highest total in its 20-year history. The new all-time asset high compares with $153,886,575 of assets at the June 30, 1958 quarter-end. Chemical Fund commenced business 20 years ago with only $100,000 in assets.

At the same time, it was also reported that July sales of Chemical Fund shares to the investing public increased 48% over the month before. July sales totaled $1,693,000 compared with $1,142,000 in June. Sales for the first seven months of 1958 increased to $9,625,000 compared with $8,911,000 for the comparable period of last year.

Boston Income Fund Total & Net Assets Up Sharply

The Income Fund of Boston, Inc. reports that the total assets of the fund on July 28, 1958 were $26,788,366, an increase of 45.7% over the total assets of $18,388,957 reported on July 29, 1957. The net assets on July 28, 1958 were $23,008,051, an increase of 41.0% over the net assets reported on the corresponding date a year ago. Shares outstanding on July 28, 1958 were 3,139,213, an increase of 54.2% over the shares outstanding on July 29, 1957.

Joins First Fidelity

ATLANTA, Ga. — Robert S. Allen has joined the staff of First Fidelity Securities Corporation, 11 Pryor St., S. W.

Dividend Shares Reports 13.3% Net Assets Gain

Total net assets of Dividend Shares, Inc. were $229,768,663, or $2.72 per share on June 30, 1958 as compared with $199,479,202, or $2.40 per share on Dec. 31, 1957, Hugh Bullock, President of the mutual fund, told shareholders in a report accompanying payment of its 104th consecutive quarterly dividend.

The company's investments have not only enabled it to pay larger dividends for the year to date than in 1957, but have produced an increase in the net asset value per share of 13.3% in the six months ended June 30, 1958, Mr. Bullock said. On June 30, the company owned common stocks of 103 corporations and eight U. S. Government bond issues. The principal equity holdings were in the petroleum (16.15% of assets), public utility (15.59%), and chemical and drug (7.40%) groups.

"The economic situation at home, which showed declining trends during late 1957 and the first half of 1958, appears to be stabilizing in several important segments," Mr. Bullock said. "There are, however, areas where further earnings and profits adjustments appear likely. In addition, there are now the uncertainties arising from a tense and unpredictable international situation. Under these circumstances, while your management anticipates a favorable long-term prospect for business and earnings, it seems prudent not only to exercise care in the diversification of investments, but also to retain some assets in government bonds and cash as a reserve to take advantage of more favorable buying opportunities for good stocks as they occur. Approximately 16.86% of your company's assets represented such reserves on June 30, 1958."

New common stock additions to the portfolio included New England Electric System and Phillips Petroleum Co. Added additions to the portfolio were made in Allied Chemical; Atlantic Refining; Bendix Aviation; Central Illinois Public Service; C. I. T. Financial; Cities Service; Columbus & Southern Ohio Electric; Goodrich; Hercules Powder; Kansas City Power & Light; L. I. Lighting; May Department Stores; Northern Indiana Public Service; Pure Oil; and Sinclair Oil. Eliminated from common stock holdings were Ford Motor; Goodyear Tire & Rubber; and Phelps Dodge.

Over-Counter Fund Reports 14.5% Gain In Asset Value

Over-The-Counter Securities Fund, Inc., reported a net asset value of $3.63 a share, a 14.5% gain over the net asset value of $3.17 a share reported for Dec. 31, 1957. In the same period net assets increased by 22%—from $130,994 on Dec. 31, 1957 to $160,295 on June 30, 1958. The latter figure represents an all-time high for OCSF, the only mutual fund devoted exclusively to investments in over-the-counter securities. Since the founding of the Fund in June of 1956 total assets have advanced by more than 50% and asset value per share has advanced by almost 10%.

From June 30, 1957 to June 30, 1958, a period during which the market suffered its sharpest postwar decline, net asset value of OCSF rose by 2.8% from $3.53 to $3.63 a share.

Over-The-Counter Securities Fund, Inc. currently has 84% of its assets in 36 unlisted stocks and the balance in cash and U. S. Governments. Recent portfolio additions have included Fisher Governor Co., the world's foremost producer of automatic pressure and liquid level controls, Foxboro Co., largest manufacturer of industrial instruments, and William H. Rorer, Inc., a growing ethical drug maker.

Axe-Houghton Stock Fund Reports Share Gain

The reversal of the unfavorable trend in general business activity was an important change in the investment situation during the past six months, says Emerson W. Axe, President of Axe-Houghton Stock Fund, in a letter accompanying the fund's semiannual report to shareholders.

Mr. Axe says a fairly rapid recovery started in early May, following a contraction from the 1956 high point to the low of last April which "in leading industries was more severe than anything since 1937-38."

By midyear, he continues, the recovery had brought business back to about the January level. "Steel production, freight traffic, electric power output and to a lesser extent automobile production have recovered and there has been an impressive increase in engineering contracts. Prices of raw materials used in the durable goods industries have improved moderately, a development characteristic of the beginning of a general business upswing."

Mr. Axe hails the marked easing in credit that has taken place as the outstanding development in the investment situation during the first six months of the year.

The report shows that Axe-Houghton Stock Fund is now using leverage and that its total net assets increased from $6,281,159 to $6,725,212 or from $3.28 to $3.62 a share in the half-year period.

Diversified Growth Fund At Record Highs

Diversified Growth Stock Fund, Inc. reports new highs in total net assets, number of shareholders and shares outstanding as of June 30, 1958.

On that date, net asset value per share was $6.27 or 16.3% above the $5.39 figure on Dec. 31, 1957.

In the six months covered by the fund's latest semi-annual report, total net assets rose to a record $23,636,764, compared with $17,824,141 at the end of 1957. This half-year increase in total net assets was greater than any previous full-year gain reported by the fund. The number of shareholders rose from 10,281 to 11,866 and shares outstanding from 3,309,300 to 3,772,451. Both June 30 figures represent new highs for the fund.

Since Dec. 31, 1957, additions to the fund's holdings included new investments in Eastern Industries, Inc. and Texas Natural Gasoline Corporation. Investments in Emhart Manufacturing Co. and G. D. Searle & Co. were sold.

Largest current industry holdings, of Diversified Growth Stock Fund are in oil and gas stocks, which make up 18.7% of the June 30 total net assets, and instrumentation stocks, which account for 14.9% of assets.

B. C. Christopher Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—John J. George has been added to the staff of B. C. Christopher & Co., Board of Trade Building. Mr. George was formerly with George K. Baum & Co.

Group's Common Stock Fund Shs. Up 21.1% Since Jan. 1

July sales of Group Securities, Inc., totaled $4,186,275, bringing the seven month total to $23,667,710, according to John L. Ahbe, Vice-President and Director of Sales of Distributors Group, Inc., the sponsor company. These compare with 1957 figures of $1,409,958 and $8,024,689, respectively.

Included in the current year's total were conversions from one to another of the Group funds aggregating $586,707 for July $5,074,675 for the year to date. The fund provides a reduced sales charge on these exchanges.

Resulting both from the volume of new sales and market appreciation, net assets of Group Securities rose $31,986,791 in the seven month period to a total of $124,193,694. Contributing importantly to these results was a gain for The Common Stock Fund of the company of $16,002,055 to a present value of $43,260,873.

In commenting on the latter result, Mr. Ahbe noted that the per share value of Group's Common Stock Fund has gained 21.1% since Jan. 1 as compared with a rise of $15.4% for the Dow-Jones Industrial Average.

National's Assets And Sales Set New Records

Combined net assets of the National Securities Series of mutual funds reached a record month-end high of $348,527,466 on July 31 according to figures released by E. Waln Hare, Vice-President of National Securities & Research Corporation, sponsors and managers of the funds.

Mr. Hare also reported that investors' purchases totaled $7,314,017 in July, a record for the month and a 10% increase over the previous mark established in July, 1957.

Delaware Fund Adds to Domestic Oil Holdings

Delaware Fund, prompted by recent developments in the Middle East, has increased its oil investment to 16% of total resources from a low of 11½% just before the Iraq rebellion, D. Moreau Barringer reports in his latest semi-monthly Directors' Letter.

Mr. Barringer, a partner of Delaware Company, investment manager of both Delaware Fund and Delaware Income Fund, said that in the past two weeks the $58 million Delaware Fund substantially added to its holdings of domestic oils. These investments included a new major position in Standard Oil of Indiana, as well as additional shares of other companies already represented in the Fund's portfolio. The reasoning, Mr. Barringer told directors, was the obvious one that domestic output and even prices might have to be raised if Middle East supplies are restricted.

Also reporting on recent shifts in Delaware Income Fund's portfolio, Mr. Barringer said some securities, whose prices have risen enough to render their current yield inadequate for that Fund's purposes, were eliminated. These liquidations included Gimbel, South Porto Rico Sugar and Western Union. Among the replacements was a block of James Lees & Sons common. The company's $2 dividend, Mr. Barringer noted, gives the stock a 7% yield, and is buttressed by a good cash position and earnings averaging $4 a share

Continued on page 46

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	Aug. 17	§61.4	*58.8	54.9	80.6
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 17	§1,656,000	*1,586,000	1,481,000	2,062,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 1	6,544,735	6,535,835	6,423,685	6,843,465
Crude runs to stills—daily average (bbls.)	Aug. 1	¶7,727,000	7,517,000	7,461,000	7,919,000
Gasoline output (bbls.)	Aug. 1	28,693,000	28,464,000	27,282,000	27,417,000
Kerosene output (bbls.)	Aug. 1	1,708,000	1,614,000	1,831,000	2,045,000
Distillate fuel oil output (bbls.)	Aug. 1	11,754,000	11,760,000	11,128,000	11,819,000
Residual fuel oil output (bbls.)	Aug. 1	7,101,000	6,919,000	6,723,000	7,561,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 1	178,715,000	178,808,000	183,280,000	175,994,000
Kerosene (bbls.) at	Aug. 1	25,914,000	25,338,000	24,454,000	31,454,000
Distillate fuel oil (bbls.) at	Aug. 1	120,417,000	115,557,000	106,571,000	138,230,000
Residual fuel oil (bbls.) at	Aug. 1	66,887,000	66,487,000	64,772,000	49,140,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 2	622,204	607,701	457,661	740,708
Revenue freight received from connections (no. of cars)	Aug. 2	505,622	494,143	456,463	600,064
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 7	$513,960,000	$388,032,000	$558,996,000	$298,259,000
Private construction	Aug. 7	212,555,000	165,460,000	100,845,000	147,396,000
Public construction	Aug. 7	301,405,000	222,572,000	458,151,000	150,863,000
State and municipal	Aug. 7	242,168,000	169,785,000	260,924,000	127,719,000
Federal	Aug. 7	59,237,000	52,787,000	197,227,000	23,144,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 2	7,775,000	*7,855,000	1,330,000	9,638,000
Pennsylvania anthracite (tons)	Aug. 2	428,000	458,000	65,000	548,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 2	114	111	102	111
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 9	12,707,000	12,619,000	11,851,000	12,070,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 7	290	271	275	265
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 5	6.138c	5.967c	5.967c	5.967c
Pig iron (per gross ton)	Aug. 5	$66.49	$66.49	$66.49	$66.40
Scrap steel (per gross ton)	Aug. 5	$42.17	$40.83	$36.50	$53.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 6	26.100c	26.100c	25.925c	28.075c
Export refinery at	Aug. 6	25.475c	25.275c	23.300c	26.200c
Lead (New York) at	Aug. 6	11.000c	11.000c	11.000c	14.000c
Lead (St. Louis) at	Aug. 6	10.800c	10.800c	10.800c	13.800c
‡Zinc (delivered) at	Aug. 6	10.500c	10.500c	10.500c	10.500c
Zinc (East St. Louis) at	Aug. 6	10.000c	10.000c	10.000c	10.000c
Aluminum (primary pig. 99%) at	Aug. 6	24.700c	24.000c	24.000c	26.000c
Straits tin (New York) at	Aug. 6	95.750c	95.625c	94.250c	95.375c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 12	91.46	92.15	93.46	86.71
Average corporate	Aug. 12	93.82	95.01	96.23	90.77
Aaa	Aug. 12	98.73	100.32	101.80	94.86
Aa	Aug. 12	96.54	98.09	99.04	92.93
A	Aug. 12	93.52	94.41	95.92	91.05
Baa	Aug. 12	86.78	87.86	88.67	[illegible]
Railroad Group	Aug. 12	90.20	90.91	91.91	89.69
Public Utilities Group	Aug. 12	95.97	95.77	[illegible]	[illegible]
Industrials Group	Aug. 12	97.31	98.41	99.36	91.77
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 12	3.26	3.20	3.07	3.65
Average corporate	Aug. 12	4.15	4.07	3.99	4.36
Aaa	Aug. 12	3.83	3.73	3.64	4.08
Aa	Aug. 12	3.97	3.87	3.81	4.21
A	Aug. 12	4.17	4.11	4.01	4.34
Baa	Aug. 12	4.65	4.57	4.51	4.81
Railroad Group	Aug. 12	4.40	4.35	4.28	4.48
Public Utilities Group	Aug. 12	4.14	4.02	3.90	4.31
Industrials Group	Aug. 12	3.92	3.85	3.79	4.29
MOODY'S COMMODITY INDEX	Aug. 12	402.3	406.5	396.6	427.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 2	339,845	266,943	229,248	359,226
Production (tons)	Aug. 2	299,148	289,506	193,815	282,952
Percentage of activity	Aug. 2	93	93	61	95
Unfilled orders (tons) at end of period	Aug. 2	465,523	427,875	391,454	506,493
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 8	109.81	104.95	110.07	110.32
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	July 19	2,178,690	1,591,390	1,698,500	1,522,820
Short sales	July 19	479,370	392,720	375,540	283,060
Other sales	July 19	1,773,920	1,248,510	1,367,950	1,242,660
Total sales	July 19	2,253,290	1,641,230	1,743,490	1,525,720
Other transactions initiated on the floor—					
Total purchases	July 19	408,420	326,380	409,710	286,330
Short sales	July 19	57,200	44,800	42,650	18,700
Other sales	July 19	387,350	334,610	332,100	242,410
Total sales	July 19	444,550	379,410	374,750	261,110
Other transactions initiated off the floor—					
Total purchases	July 19	626,610	470,228	573,030	486,402
Short sales	July 19	154,420	157,760	129,990	77,450
Other sales	July 19	677,041	609,199	667,046	508,207
Total sales	July 19	831,461	766,959	797,036	585,657
Total round-lot transactions for account of members—					
Total purchases	July 19	3,213,720	2,387,998	2,681,240	2,295,552
Short sales	July 19	690,990	595,280	548,180	379,210
Other sales	July 19	2,838,311	2,192,319	2,367,096	1,993,277
Total sales	July 19	3,529,301	2,787,599	2,915,276	2,372,487
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	July 19	1,298,033	1,208,686	1,203,989	1,469,140
Dollar value	July 19	$62,830,596	$57,387,366	$55,272,322	$76,557,055
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 19	1,366,950	1,132,737	1,177,664	1,195,715
Customers' short sales	July 19	15,196	13,154	10,510	[illegible]
Customers' other sales	July 19	1,351,794	1,119,583	1,167,154	1,190,491
Dollar value	July 19	$63,089,444	$49,493,774	$51,551,872	$58,960,325
Round-lot sales by dealers—					
Number of shares—Total sales	July 19	492,770	362,100	396,590	286,930
Short sales	July 19	------	------	------	------
Other sales	July 19	492,770	362,100	396,590	286,930
Round-lot purchases by dealers—					
Number of shares	July 19	413,290	437,260	389,510	542,260
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	July 19	936,610	813,910	744,580	442,030
Other sales	July 19	15,398,340	12,344,570	13,516,790	11,425,920
Total sales	July 19	16,334,950	13,158,480	14,261,370	11,867,950
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 5	119.3	119.4	119.3	118.1
Farm products	Aug. 5	93.8	94.8	95.7	93.1
Processed foods	Aug. 5	112.0	112.7	113.0	106.8
Meats	Aug. 5	112.1	114.5	115.9	98.7
All commodities other than farm and foods	Aug. 5	126.1	126.0	125.5	125.6

*Revised figure. ¶Includes 1,018,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 tons. †Number of orders not reported since introduction of Monthly Investme-- -lan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of March	134,019	121,980	135,706
Stocks of aluminum (short tons) end of Mar.	195,207	*182,091	160,501
AMERICAN GAS ASSOCIATION—For month of May:			
Total gas sales (M therms)	5,822,800	7,126,900	5,736,200
Natural gas sales (M therms)	5,653,200	6,876,200	5,568,300
Manufactured gas sales (M therms)	16,800	21,100	16,300
Mixed gas sales (M therms)	152,800	229,600	151,600
AMERICAN RAILWAY CAR INSTITUTE— Month of June:			
Orders for new freight cars	317	1,372	4,918
New freight cars delivered	2,407	3,534	8,377
Backlog of cars on order and undelivered (end of month)	27,757	30,386	91,810
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR — Month of June:			
Total new construction	$4,376	$4,054	$4,425
Private construction	2,974	2,773	3,060
Residential buildings (nonfarm)	1,530	1,407	1,545
New dwelling units	1,100	1,000	1,105
Additions and alterations	378	356	400
Nonhousekeeping	52	51	40
Nonresidential buildings	735	698	824
Industrial	193	204	308
Commercial	315	285	308
Office buildings and warehouses	169	165	155
Stores, restaurants, and garages	146	120	153
Other nonresidential buildings	227	209	208
Religious	70	65	73
Educational	46	43	43
Hospital and institutional	51	51	44
Social and recreational	37	32	26
Miscellaneous	23	18	22
Farm construction	162	147	159
Public utilities	528	504	511
Railroad	30	29	33
Telephone and telegraph	81	81	90
Other public utilities	417	394	388
All other private	19	17	21
Public construction	1,402	1,281	1,365
Residential buildings	65	63	40
Nonresidential buildings	402	381	406
Industrial	34	33	44
Educational	255	239	254
Hospital and institutional	30	29	32
Administrative and service	44	42	39
Other nonresidential buildings	39	38	37
Military facilities	95	88	112
Highways	580	500	548
Sewer and water systems	120	118	120
Sewer	71	69	66
Water	49	49	54
Public service enterprises	39	37	38
Conservation and development	89	82	89
All other public	12	12	12
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE — Month of June (000's omitted)	$1,667,000	$302,800	$1,679,000
CONSUMER PRICE INDEX — 1947-49 = 100— Month of July:			
All items	123.7	123.6	120.2
Food	121.6	121.6	116.2
Food at home	120.4	120.5	114.7
Cereals and bakery products	132.9	132.8	130.6
Meats, poultry and fish	118.3	116.6	106.9
Dairy products	111.7	111.8	110.0
Fruits and vegetables	134.3	137.4	126.8
Other foods at home	110.9	111.5	109.5
Housing	127.8	127.8	125.5
Rent	137.7	137.5	135.0
Gas and electricity	116.9	116.5	112.3
Solid fuels and fuel oil	131.7	131.6	135.3
Housefurnishings	104.1	104.0	104.6
Household operation	131.1	130.9	127.6
Apparel	106.7	106.7	106.6
Men's and boys'	108.8	108.9	109.1
Women's and girls'	98.5	98.4	98.5
Footwear	129.8	129.7	127.8
Other apparel	91.9	92.1	91.9
Transportatiion	138.9	138.7	135.3
Public	187.7	186.1	176.8
Private	128.0	128.0	125.4
Medical care	143.9	143.7	137.9
Personal care	128.6	128.5	124.2
Reading and recreation	116.7	116.6	111.8
Other goods and services	127.2	127.2	124.6
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of June (1947-49 = 100)	63.4	63.1	76.6
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of July:			
Industrials (125)	3.79	3.98	3.75
Railroads (25)	5.44	5.91	6.19
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.31	4.33	4.88
Banks (15)	4.54	4.53	4.68
Insurance (10)	2.94	2.99	3.05
Average (200)	2.97	4.15	4.01
NEW YORK STOCK EXCHANGE— As of June 30 (000's omitted):			
Member firms carrying margin accounts—			
Total, customers' net debit balances	$3,168,445	$2,997,689	$2,917,878
Credit extended to customers	239,760	141,032	31,244
Cash on hand and in banks in U. S.	323,700	311,919	321,144
Total of customers' free credit balances	1,047,470	979,013	820,376
Market value of listed shares	224,903,638	218,773,150	227,927,859
Market value of listed bonds	118,287,158	116,026,980	98,482,499
Member borrowings on U. S. Govt. issues	956,959	541,930	120,310
Member borrowings on other collateral	2,122,015	1,972,785	2,273,994
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of June (in billions):			
Total personal income	$351.8	*$349.9	*$350.8
Wage and salary receipts, total	235.3	*233.1	*240.1
Commodity producing industries	96.4	*95.6	*103.4
Distributing industries	63.0	*62.6	*63.9
Service industries	33.6	*33.4	*32.6
Government	42.3	*41.5	*40.2
Other labor income	8.9	*8.9	*9.0
Proprietors and rental income	56.5	*56.5	*54.9
Personal interest income and dividends	31.8	*31.7	*31.6
Total transfer payments	26.0	*26.4	*21.8
Less employees' contribution for special insurance	6.7	*6.7	6.6
Total nonagricultural income	334.4	*332.4	*335.6
ZINC OXIDE (BUREAU OF MINES)—Month of May:			
Production (short tons)	10,185	11,632	15,611
Shipments (short tons)	13,381	13,782	[illegible]
Stocks at end of month (short tons)	27,233	30,429	[illegible]

*Revised figure.

First National City Bank Suggests Way To Ease U. S. Bond Market Problem

To avoid, in effect, circumstances in which government bonds can be made salable only if tied to cost of living indexes or the price of gold, as practiced abroad, First National City Bank of New York proposes a remedy based upon the recent Canadian refunding plan. Claims Canadian plan accomplishes at one fell swoop what we have been attempting to work out slowly, over an extended period of time.

After recapitulating what recently beset the Treasury in the government bond market, and tracing Federal Reserve mitigating efforts "beyond the hurculean direct support of the [Treasury] refunding," the August *Letter* of the New York First National City Bank examines and suggests we adopt what our neighbors to the north recently accomplished.

The *Monthly Bank Letter* points out that, "the Congress and Administration have chosen to provide stimulus to business in the recession by increased Federal expenditures of almost all types. This approach, more attractive politically than providing stimulus to enterprise by tax reforms, has been pursued with such enthusiasm that the President had to confess on July 2 that there was no prospect of regaining a balanced budget for at least two years.

"No one can say how big a deficit the President will forecast for fiscal 1960 in his budget message next January. But closer at hand there is the problem of finding buyers for $10 or $12 billion U. S. Government securities to finance the fiscal '59 deficit in the face of improving business news and a prospect of strengthening private credit demands. In addition to raising new money, and retaining a market for $22 billion 91-day bills, the Treasury will have to refinance $46.1 billion of marketable certificates, notes and bonds maturing in the next 12 months.

"What the Federal Reserve has done [so far] is by way of an emergency stopgap, which gains some time. But financing governmental deficits through banks of issue is a hazardous business. It raises the spectre of uncontrolled inflation. As we can see from foreign experiences, it can create circumstances in which government bonds can be made salable only if they are tied to cost of living indexes or the price of gold. The unfortunate aspect of the Federal Reserve's massive intervention is that it gives encouragement to inflationary psychology.

The Canadian Plan

"A sounder and more enduring solution has been found by our young and imaginative neighbor to the north, Canada. Facing the problem of a deficit, a heavy concentration of early maturities, and a weakening bond market, the Canadian Government, with the wholehearted support of the entire commercial and investment banking community, on July 14 launched a huge refunding involving about 43% of the $14 billion Canadian national debt.

"Holders of $6.4 billion 3% Victory bonds issued during World War II and due from 1959 to 1966 were offered four noncallable securities ranging in term from 3¼ to 25 years with no investor permitted to exchange for a maturity shorter than he already held. The bonds offered in exchange (with cash bonuses ranging up to $19.90 per $1,000 as additional bait) are 4½s due September 1983, 4¼s due September 1972, 3¾s due September 1965 and 3s due in December 1961. The new issues have attracted a broad public interest, especially the 4½s, the most attractive rate offered on Dominion Government bonds since 1932 and one that looks good to conservative investors even in an age of creeping inflation.

"The Canadian plan accomplishes at one fell swoop what Secretary of Treasury Robert B. Anderson has been attempting to work out slowly, over an extended period of time. The beauty of it is that the Bank of Canada is relieved from pressure to help the Government with its financing problems.

"This sort of step is one we should be considering.

The Core Problem

"But most essential is getting Federal Government expenditures and financial commitments of every type under control. It is not fair to ask anyone to buy bonds of a government which seems to be embarked on deficits as a way of life.

"As President Grover Cleveland wisely stated in his last annual message to Congress, in 1896: 'The way to perplexing extravagance is easy but a return to frugality is difficult.'

"Yet the task, in the end, cannot be escaped. National strength and solvency—the preservation of free institutions and trust in government—depend upon facing fiscal facts."

With Francis I. du Pont

(Special to The Financial Chronicle)

OMAHA, Neb.—Fred J. Borghoff is now with Francis I. du Pont & Co., Grain Exchange Building. He was formerly with Harris, Upham & Co.

EARNINGS STATEMENT

IBM

EARNINGS STATEMENT FOR THE TWELVE MONTHS ENDED JUNE 30, 1958

International Business Machines Corporation has made generally available to its security holders, in accordance with the provisions of Section 11 (a) of the Securities Act of 1933, as amended, a statement of earnings for the period July 1, 1957, through June 30, 1958, being a period of twelve months beginning after May 21, 1957, the effective date of the Corporation's Registration Statement, No. 2-13305, for 1,050,223 shares of its Capital Stock, filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended. Upon request to the Secretary of the Corporation at the address shown below, copies will be mailed to security holders of the Corporation.

590 Madison Avenue
New York 22, N. Y.
July 31, 1958

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION

Continued from page 45

Mutual Funds

for the past five years. While this year's earnings haven't been as good, he went on, the concentration of all production in new low-cost Southern mills, the company's powerful position in the carpet industry, and the outlook for a continued increase of household formations and residential building point to higher earnings and, at the least, stability of the present dividend.

Axe Science Head Optimistic on Economic Outlook

The business recovery which began this spring has now gained back about a third of the decline and "the remainder of 1958 should be a period of improvement for many of the industries and companies included in your fund," says Mrs. Ruth H. Axe, President of Axe Science & Electronics Corporation, in her semi-annual letter to shareholders.

The letter accompanies the six-month report of the corporation which shows that net assets of this atomic age mutual fund rose from $9.06 to $9.93 a share in the first half of 1958; and that total net assets increased from $8,194,218 to $8,461,414.

Mrs. Axe says that actual defense expenditures fluctuated widely during the six months, but that the June total was nearly a postwar record. "Expenditures for missiles in the year ending June 30, 1959," she continues, "are expected to reach $3½ billion, possibly more than offsetting an expected decline in military plane expenditures."

She anticipates a lag in earnings in the television and radio branches of the electronics industry and says results from uranium mining operations have been as satisfactory as could reasonably be expected. She finds the outlook for the metal mining industry generally improved, "unless proposed subsidies again stimulate overproduction."

DIVIDEND NOTICE

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER.

A second interim dividend on the Ordinary Stock for the year ending 30th September 1958 of six pence for each Ten Shillings of Ordinary Stock, free of United Kingdom Income Tax will be payable on 30th September, 1958.

Holders of Bearer Stock to obtain this dividend must deposit Coupon No. 234 with the Guaranty Trust Company of New York, 32, Lombard Street, London, E.C.3., for examination five clear business days (excluding Saturday) before payment is made.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less United Kingdom Income Tax) for the year ending 30th September next will also be payable on the 30th September, 1958.

Coupon No. 110 must be deposited with the National Provincial Bank Limited, Savoy Court, Strand, London, W.C.2., for examination five clear business days (excluding Saturday) before payment is made.

DATED 13th August, 1958.

By Order
A. D. McCORMICK,
Secretary.

Westminster House,
7, Millbank,
London, S.W. 1.

Stockholders who may be entitled by virtue of Article XIII (1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 901 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

DIVIDEND NOTICES

acf INDUSTRIES, INCORPORATED

Common Dividend No. 155

A dividend of 62½¢ per share on the common stock of this Corporation has been declared payable September 15, 1958, to stockholders of record at close of business August 29, 1958.

C. Allan Fee,
Vice President and Secretary

August 7, 1958

ALLIS-CHALMERS MFG. CO.

COMMON DIVIDEND No. 137

A quarterly dividend of twenty-five cents (25c) per share on the common stock of this Company has been declared payable September 30, 1958 to shareholders of record at the close of business September 2, 1958.

4.08% PREFERRED DIVIDEND No. 17

A regular quarterly dividend of one dollar and two cents ($1.02) per share on the 4.08% Cumulative Convertible Preferred Stock of this Company has been declared, payable September 5, 1958 to shareholders of record at the close of business August 22, 1958.

Transfer books will not be closed.

A. D. Dennis,
Secretary

August 6, 1958

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

At a meeting of Directors held August 12, 1958 in London it was decided to pay on September 30, 1958 Interim Dividend of Six Pence for each Ten Shillings of Ordinary Stock for the year ending September 30, 1958 on the issued Ordinary Stock of the Company free of United Kingdom Income Tax.

Also decided to pay on the same day half-yearly dividend of 2½% (less United Kingdom income tax) on issued 5% Preference Stock.

Coupon No. 234 must be used for dividend on the Ordinary Stock and Coupon No. 110 must be used for dividend on the 5% Preference Stock. All transfers received in London on or before August 25, 1958 will be in time for payment of dividends to transferees.

Also decided to pay on October 31, 1958 half-yearly dividend of 3% (less United Kingdom income tax) on the 6% Preference Stock. All transfers received in London on or before October 9, 1958 will be in time for payment of dividends to transferees.

Stockholders who may be entitled by virtue of Article XIII (1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 901 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

August 12, 1958

With James H. Price

(Special to The Financial Chronicle)

FT. LAUDERDALE, Fla. — Phyllis B. Beach has been added to the staff of James H. Price & Company, Inc., 148 East Las Olas Boulevard.

DIVIDEND NOTICES

J. I. Case Company
(Incorporated)

Racine, Wis., August 11, 1958

A dividend of $1.75 per share on the 7% Preferred stock and 11.375 cents per share on the 6½% Second Preferred stock of this Company has been declared payable October 1, 1958 to holders of record at the close of business September 12, 1958.

L. T. NEWMAN, Secretary.

THE COLORADO FUEL AND IRON CORPORATION

Dividend Notice

The Board of Directors of The Colorado Fuel and Iron Corporation today declared the regular quarterly dividend of 62½ cents per share on the series A $50 par value preferred stock and 68¾ cents per share on the series B $50 par value preferred stock. These dividends are payable September 30 to stockholders of record at the close of business August 18. The Board of Directors omitted the quarterly dividend on the common stock for the quarter ending September 30, 1958.

D. C. McGREW
Secretary

THE DAYTON POWER AND LIGHT COMPANY
DAYTON, OHIO

144th Common Dividend

The Board of Directors has declared a regular quarterly dividend of 60c per share on the Common Stock of the Company, payable on September 2, 1958 to stockholders of record at the close of business on August 18, 1958.

GEORGE SELLERS, Secretary

August 8, 1958

MIAMI COPPER COMPANY

61 Broadway, New York 6, N. Y.
July 9, 1958

A quarterly dividend of twenty-five (25c) cents per share was declared, payable September 25, 1958, to stockholders of record at the close of business September 11, 1958.

JOHN G. GREENBURGH,
Treasurer.

PEPPERELL FABRICS

PEPPERELL MANUFACTURING COMPANY

Boston, July 25, 1958

DIVIDEND NOTICE

A regular quarterly dividend of Seventy-five Cents (75¢) and a year-end extra dividend of Fifty Cents (50¢) per share has been declared payable August 15, 1958, to stockholders of record at the close of business August 5, 1958.

Checks will be mailed by the Old Colony Trust Company of Boston, Dividend Disbursing Agent.

Frederick D. Strong, *Secretary*

UNITED CARBON COMPANY
CHARLESTON, WEST VIRGINIA

DIVIDEND NOTICE

A quarterly dividend of Fifty Cents per share has been declared on the Common Stock of this Company, payable September 10, 1958, to stockholders of record at close of business on August 20, 1958.

C. H. McHENRY
Secretary

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The coal industry, long beset with some major problems such as competing natural gas and fuel oil, rising wages and transportation costs, has some favorable things on its side.

Practically all authorities agree that electric power production in the United States is going to expand and expand in the future. The coal industry for a long time has been sharing in the expansion to a marked degree and it will continue to do so, according to qualified people in the Nation's Capital.

The National Coal Association, the industry's trade association, says the bituminous production for the next 12 months is expected to total 463 million tons, an increase of 30 million tons over the production period ending June 30. The electric utilities are the biggest users of coal. With the growing use of electric power, coal appears likely to share in the increase for a long time. Atomic energy holds no threat of being a real competitor to coal for a long time.

Nuclear Energy Study

The National Planning Association in Washington has released a report estimating that 10% of the energy consumption in the United States will be nuclear by 1980. The report went on to say that no single energy source will be able to satisfy all of the projected needs for energy. Furthermore, nuclear energy cannot be considered as providing by itself a long run solution to expanding United States energy requirements.

Gas-Oil Depletion

Authorities in the coal business believe, as well as some of the specialists in and out of government, that there will be less natural gas and less fuel oil for the steam generating boilers 20 or 25 years from now. As a matter of fact, some of the power plants down in the gas field country of Louisiana and Texas in the years ahead may be thinking of possible supplemental use of coal.

Natural gas fields and oil fields do not continue production indefinitely. That is why Congress, of course, provides for depletion allowance of the various minerals of the earth. Today more homes are heated by natural gas than any other fuel. Originally, wood was the source of home heating in this country. Then coal was the primary source, followed by oil, and now natural gas.

The time probably is coming when the cycle will switch from natural gas and oil for home heating to electrical heating, the cleanest heating of them all. To help supply the electricity, coal will have a substantial role in supplying the current.

The Federal Power Commission estimates that by 1980 the United States will need more than three times the present capacity. Most of the capacity will have to be supplied by the steam generating plants fed to a substantial degree by coal.

Coal Committee's Views

The National Coal Association's committee on coal economics says indications are consumption by the utilities in 1958 will decline slightly for the first time since 1949. The utilities will use about 155 million tons as compared with 157.4 million tons in 1958. The apparent reasons for the expected decline are the extraordinary water supplies for the hydroelectric power plants, increased availability of natural gas and oil, plus more efficient coal-burning equipment.

An upturn in steel production will mean more coal will be used to produce coke. The cement industry, which is growing is expected to use eight million tons, the railroads four million tons, retail users 80 million tons and the retail market, 22 million tons. Coal shipments to Canada are estimated at 14 million tons, and overseas exports will be about 39 million tons.

Middle East Oil

Tom Pickett, executive Vice-President of the National Coal Association, recently advised the Eisenhower Administration that coal can be depended upon if the Middle East crude oil pipelines are cut or should there be a loss of Middle East crude oil. Middle East oil supplies 90% of Western Europe's needs and comprise 24% of the United States crude oil imports.

There is no doubt that the imports of residual fuel oil have pinched the industry by restricting production. Residual oil is the thick black fluid remaining after gasoline and other petroleum products have been refined from the crude. Increasing imports have displaced coal under many industrial boilers along the Atlantic seaboard for heating apartments and buildings. Residual oil imports have increased from 5.6% of domestic production in 1954 to an estimated 7.6% in 1958. Dr. C. J. Potter, President of the Rochester and Pittsburgh Coal Company of Indiana, Pa., says the import increase is the equivalent to 13 million tons of coal.

Coal's Advantages

Both natural gas and oil are certain to benefit from the increased demand for energy in this country. However, the price of both, particularly natural gas, has been rising. Of course it is costing the oil and gas industry more and more to find and keep reserves. The higher oil and natural gas becomes, it helps coal's economic advantage. Meanwhile, every one knows that natural gas sales to industrial users have taken away traditional coal markets.

However, in the long run coal has the advantage over these two rivals, for the simple reason as the National Coal Association points out: "The coal industry has hardly dented its tremendous reserves of 1.9 trillion tons of coal—enough to last the nation hundreds of years even at expanded rates of production."

Atomic Energy Competition

After recognizing the natural gas and oil competition, the NCA points to atomic energy as "potential competition." The NCA goes on to say that electricity from either atomic fission of the still-experimental fusion process is "very expensive when compared with economical steam-generated power from coal. Experts believe that the coal industry will be only slightly affected in the foreseeable future by competition from atomic power plants unless the government grants heavy subsidies to atomic plants from public funds."

Meantime, there has been a revival of economic interest in the whole coal industry, and rightfully so in view of the long range need for this fossil fuel. The industry itself, despite the impediments, is certainly betting on its future. It has invested heavily in costly new equipment. Mechanization has made tremendous strides. With mechanization a coal miner in this country can produce an average 10.7 tons of coal a day or twice as much as he produced in 1942. The back-aching, pick and shovel days are gone forever.

[*This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.*]

BUSINESS BUZZ

"I would suggest putting some of your husband's securities in your husband's name!"

Business Man's Bookshelf

Changing Structure and Strategy in Marketing—Edited by Robert V. Mitchell — Bureau of Economic and Business Research, University of Illinois, Urbana, Ill.—$1.50.

Current Economic Comment (August 1958) containing articles on Immigration, Trade and Factor-Price Equalization; Government Intervention in Railroad Labor Disputes; Foreign Exchange Deferral and Foreign Investment; Industrial Relations at Plant Level; Price and Production Behavior in Recession; Some Planning Issues in an Underdeveloped Country, etc.—Bureau of Economic and Business Research, University of Illinois, Urbana, Ill.—On request.

Economic Basis of Chicago's Credit — Maurice Criz — Office of the City Comptroller, Chicago, Ill. (paper).

Economic News Service—August 1958 containing articles on the Czechoslovakian economy—Chamber of Commerce of Czechoslovakia, 13 Ul.28, Rijna, Praha 1, Czechoslovakia (paper).

Economics and Politics of My Job: Wages, Unemployment and Inflation—Ludwig von Mises—Foundation for Economic Education, Irvington - on - Hudson, N. Y. (paper), 10 copies, $1.

Effectiveness of Pharmaceutical Promotion—Robert Ferber and Hugh G. Wales—Bureau of Economic and Business Research, University of Illinois, Urbana, Ill.—cloth—$2.

Employers' Forecasts of Manpower Requirements: A Case Study—Robert Ferber—Bureau of Economic and Business Research, University of Illinois, Urbana, Ill.—$1.50.

Financial Management: A Workbook of Core Problems—Robert M. Soldofsky—Wm. C. Brown Company, 135 South Locust, Dubuque, Iowa (paper); $1.95.

Guide to Employment and Earnings Statistics in 28 areas—U.S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—on request.

Housing Codes, The Key to Housing Conservation: Vol. 1, Code Enforcement Problems and Recommendations; Vol. 2, Minimum Housing Standards Ordinance; Vol. 3, Administrative Guide for Local Programs —Bureau of Community Development, State Division of Housing, 270 Broadway, New York 7, N. Y. (paper).

Indian Periodicals 1957-58—Catalogue—Current Book House, Post Bag No. 10071, Maruti Lane, Raghunath Dadaji Street, Bombay 1, India.

Inflation in the United States — Paul Bakewell, Jr.—Paul Bakewell, Jr., La Salle Building, St. Louis, Mo. (paper); $1.

Initial Public Financing for the Small Business — Robert A. Weaver, Jr.—Investment Bankers Association of America, 425 13th Street, N. W., Washington 4, D. C. (paper), 25c.

Life Insurance Fact Book, 1958—Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper).

Los Angeles County: Climate for Industry—Los Angeles County Chamber of Commerce, 404 South Bixel Street, Los Angeles 54, Calif. (paper).

Natural Gas Construction Data, Calendar Year 1957—Gas Appliance Manufacturers Association, Inc., 60 East 42nd Street, New York 17, N. Y. (paper); $3.

New England Manufacturers, 23rd annual edition of directory — New England Council, Statler Building, Boston 16, Mass.

Personal Finance— Principles and Case Problems — Jerome B. Cohen and Arthur W. Hanson—Richard D. Irwin, Inc., Homewood, Ill.—cloth—$7.80.

Significant Trends in the West Virginia Coal Industry 1900-1957 — James H. Thompson — Bureau of Business Research, College of Commerce, West Virginia University, Morgantown, W. Va. (paper).